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LOK SABHA

The following Bills were introduced in Lok Sabha on the 15th May, 1957:—

BILL* No. 13 of 1957

A Bill to give effect to the financial proposals of the Central Government for the financial year 1957-58.

Be it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. This Act may be called the Finance (No. 2) Act, 1957. Short title.

2. (1) Subject to the provisions of sub-sections (2), (3), (4) and (5) for the year beginning on the 1st day of April, 1957,—

(a) income-tax shall be charged at the rates specified in Part I of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for the purposes of the Union calculated in the manner provided therein; and

(b) super-tax shall, for the purposes of section 55 of the Indian Income-tax Act, 1922 (hereinafter referred to as the Income-tax Act), be charged at the rates specified in Part II of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for the purposes of the Union calculated in the manner provided therein.

(2) In making any assessment for the year ending on the 31st day of March, 1958, there shall be deducted from the total income of an assessee, in respect of the earned income, if any, chargeable under the head "Salaries" included therein,—

(a) an amount equal to one-fifth of such earned income, but not exceeding in any case four thousand rupees, or

*The President has in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

(b) the amount, if any, arrived at after deducting from four thousand rupees one-fifth of the amount by which the aggregate of all earned incomes included in the total income under whatever head they are chargeable exceeds twenty-five thousand rupees,

whichever is less.

(3) In making any assessment for the year ending on the 31st day of March, 1958,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" as reduced by the deduction for earned income appropriate thereto, or any income chargeable under the head "Interest on Securities", or any income from dividends in respect of which by virtue of section 49B of the Income-tax Act he is deemed himself to have paid the income-tax imposed under that Act, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance Act, 1956, ^{18 of 1956.} on his total income the same proportion as the amount of such inclusions bears to his total income;

(b) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Finance Act, 1956, on ^{18 of 1956.} his total income the same proportion as the amount of such inclusion bears to his total income.

(4) In making any assessment for the year ending on the 31st day of March, 1958, where the total income of a company includes any profits and gains from life insurance business, the super-tax otherwise payable by the company on the whole of such total income shall be reduced by an amount which bears to that super-tax the same proportion as the amount of such inclusion bears to its total income, or

by an amount computed at the rate of—

(i) twelve per cent. in the case of a mutual insurance company as defined in section 95 of the Insurance Act, 1938; ^{and 4 of 1958.}

(ii) nine per cent. in the case of any other company, on the amount of such inclusion, whichever is less.

(5) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, and with reference to the rates imposed by sub-section (1), and in accordance with the provisions of sub-sections (2), (3) and (4) of this section, wherever applicable.

(6) For the purposes of this section, and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

3. In section 4 of the Income-tax Act, in sub-section (3), after ^{Amendment of section 4.} clause (xviiia), the following clause shall be inserted, namely:—

"(xviib) interest payable by Government or a local authority on moneys borrowed by it from sources outside India from any person not resident in India or from any institution established outside India;".

4. In section 10 of the Income-tax Act, for sub-sections (2B) and ^{Amendment of section 10.} (2C), the following sub-sections shall be substituted, namely:—

"(2B) Notwithstanding anything contained in sub-section (2), no allowance under clause (vi), clause (via), clause (vib) or clause (vii) of that sub-section shall be made in computing under this section the profits or gains of a company for any previous year unless the company deposits or has deposited with the Central Government within six months from the end of the said previous year or before the thirtieth day of June of the assessment year relevant to such previous year, whichever is later—

(i) such percentage, if any (not exceeding twenty-five in any case) as may be notified by the Central Government, of the accumulated profits and reserves of the company as at the end of the year preceding the previous year, to the extent to which such profits and reserves are not represented by the fixed assets of the company; and

(ii) such percentage, if any (not exceeding seventy-five in any case) as may be notified by the Central Government, of the amount by which the aggregate of the following amounts, namely:—

(a) the total income of the company for the previous year, as reduced by the amount of income-tax and super-tax payable in respect thereof (the total income and tax

being computed by the assessee for this purpose) and by the dividends, if any, declared or deemed to be declared in India, during the previous year; and

(b) the sum of the allowances claimed by the company under the clauses aforesaid;

exceeds the sum of rupees one lakh:

Provided that where the total income computed by the Income-tax Officer under this Act exceeds the total income as computed by the company under clause (ii), the company shall be deemed not to have made any deposit under that clause unless it deposits with the Central Government such further amount as may be prescribed having regard to the excess, together with interest thereon at the prescribed rate:

Provided further that the Central Government may, by notification in the Official Gazette, direct that for any assessment year the provisions of this sub-section shall have effect as if for "the period of six months" and the date "the thirtieth day of June" referred to therein the period or date specified in the notification had been substituted.

Explanation.—The power to fix percentages under this sub-section includes a power to fix different percentages in relation to different classes of companies.

(2C) The Central Government may make rules,—

(a) providing for the manner in which the deposits referred to in sub-section (2B) may be computed or made;

(b) providing for the manner in which, and the extent to which, dividends declared by companies incorporated outside India or not resident in India may be deemed to be declared in India;

(c) providing for the time when, and the manner in which, refunds of any deposit made under sub-section (2B) shall be made, whether with or without interest, and, in particular, the refund at any time of any such deposit or any part thereof where the refund is claimed for carrying out any such purpose connected with the business of the company as may be approved by the Central Government;

(d) prescribing the circumstances in which, and the conditions subject to which, a deposit need not be made under sub-section (2B);

(e) providing for the procedure to be followed in respect of any of the matters specified in the preceding

clauses, and the constitution of a Board of Referees for any of the purposes aforesaid.”.

5. In section 15 of the Income-tax Act, in sub-section (3), for the word “one-fifth” in both the places where it occurs, the word “one-fourth” shall be substituted.

6. In section 17 of the Income-tax Act, in clause (b) of sub-section (1), for the words “three annas in the rupee”, the words “nineteen per cent.” shall be substituted.

7. In section 23A of the Income-tax Act,—

(i) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely:—

“(1) Where the Income-tax Officer is satisfied that in respect of any previous year the profits and gains distributed as dividends by any company within the twelve months immediately following the expiry of that previous year are less than the statutory percentage of the total income of the company of that previous year as reduced by—

(a) the amount of income-tax and super-tax payable by the company in respect of its total income, but excluding the amount of any super-tax payable under this section;

(b) the amount of any other tax levied under any law for the time being in force on the company by the Government or by a local authority in excess of the amount, if any, which has been allowed in computing the total income; and

(c) in the case of a banking company, the amount actually transferred to a reserve fund under section 17 of the Banking Companies Act, 1949;

to of 1949.

the Income-tax Officer shall, unless he is satisfied that, having regard to the losses incurred by the company in earlier years or to the smallness of the profits made in the previous year, the payment of a dividend or a larger dividend than that declared would be unreasonable, make an order in writing that the company shall, apart from the sum determined as payable by it on the basis of the assessment under section 23, be liable to pay super-tax at the rate of fifty per cent. in the case of a company whose business consists wholly or mainly in the dealing in or holding of investments, and at the rate of thirty-seven per cent. in the case of any other company on the undistributed balance of the total income of the previous year, that is to say, on the

total income as reduced by the amounts, if any, referred to in clause (a), clause (b) or clause (c) and the dividends actually distributed, if any.

(2) No order under sub-section (1) shall be made,—

(i) in the case of a company whose business consists wholly or mainly in the dealing in or holding of investments which has distributed not less than ninety per cent. of its total income as reduced by the amounts, if any, referred to in clause (a), clause (b) or clause (c) of sub-section (1); or

(ii) in the case of any other company whose distribution falls short of the statutory percentage by not more than five per cent. of its total income as reduced by the amounts, if any, aforesaid; or

(iii) in any case where according to the return made by a company under section 22 it has distributed not less than the statutory percentage of its total income as reduced by the amounts, if any, aforesaid, but in the assessment made by the Income-tax Officer under section 23 a higher total income is arrived at and the difference in the total income does not arise out of the application of the proviso to section 13 or sub-section (4) of section 23 or the omission by the company to disclose its income fully and truly;

unless the company, on receipt of a notice from the Income-tax Officer that he proposes to make such an order, fails to make within three months of the receipt of such notice a further distribution of its profits and gains so that the total distribution made is not less than the statutory percentage of the total income of the company as reduced by the amounts, if any, aforesaid.”

(ii) sub-sections (3), (4), (5), (6) and (7) shall be omitted;

(iii) in sub-section (8), the words “Except in cases where a decision is given by the Commissioner of Income-tax under sub-section (3) or the Board of Referees under sub-section (4)” shall be omitted;

(iv) the *Explanation* to section 23A shall be re-numbered as *Explanation 1* and in the *Explanation* as so renumbered, in clause (b), for the word, brackets and figure “sub-section (4)” in both the places where they occur, the words, brackets and figures “clause (ii) of *Explanation 2*” shall be substituted;

(v) after the *Explanation* as so renumbered, the following *Explanation* shall be inserted, namely:—

“*Explanation 2.*—For the purposes of this section, statutory percentage means,—

(i) in the case of a company whose business consists wholly or mainly in the dealing in or holding of investments .. 100%

(ii) in the case of an Indian company whose business consists wholly in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power .. 45%

(iii) in the case of an Indian company, a part only of whose business consists in any of the activities specified in clause (ii)—

(a) in relation to the said part of the company's business .. 45%

(b) in relation to the remaining part of the company's business—

(1) if it is a company which satisfies the conditions specified in sub-clause

(a) of clause (iv) .. 90%

(2) in any other case .. 60%;

the said percentages being applied separately with reference to the amounts of profits and gains attributable to the two parts of the company's business aforesaid as if the said amounts were respectively the total income of the company in relation to each of its parts, the amount of dividends and taxes also being similarly apportioned, for the purposes of sub-section (1).

(iv) in the case of any other company not referred to in the preceding clauses,—

(a) where the accumulated profits and reserves (including the amounts capitalised from the earlier reserves) representing accumulations of past profits, which have not been the subject of an order under sub-section (1) exceed either the aggregate of—

(1) the paid-up capital of the company exclusive of the capital, if any, created out of its profits and gains which

have not been the subject of an order under sub-section (1);

(2) any loan capital which is the property of the shareholders; or the actual cost of the fixed assets of the company, whichever of these is greater .. 90%
(b) where sub-clause (a) does not apply .. 60%".

Amendment of section 24.

8. In section 24 of the Income-tax Act,—

(a) in clause (iii) of sub-section (2), after the words "following year and so on", the words "but no loss shall be so carried forward for more than eight years" shall be inserted;
(b) in sub-section (2B), after the words "to the following year and so on", the words "so however that no such loss shall be carried forward for more than eight years" shall be inserted.

9. For section 58E of the Income-tax Act, the following section shall be substituted, namely:—

"58E. That portion of the annual accretion in any year to the balance at the credit of an employee participating in a recognised provident fund as consists of—

(a) contributions made by the employer in excess of ten per cent. of the salary of the employee, and
(b) interest credited on the balance to the credit of the employee in so far as it exceeds one-third of the salary of the employee or is allowed at a rate exceeding the rate fixed by the Central Government in this behalf by notification in the Official Gazette,

shall be deemed to have been received by him in that year and shall be included in his total income for that year, and subject to the exemptions specified in section 58F, shall be liable to income-tax and super-tax".

10. For section 58F, the following section shall be substituted, namely:—

"58F. An employee shall not be liable to pay income-tax on his own contributions to his individual account in a recognised provident fund in so far as the aggregate of such contributions in any year does not exceed one-fifth of his salary in that year or eight thousand rupees, whichever is less".

Substitution of new section for section 58F.

Exemption of employees' contributions from income-tax.

Commencement of amendments to Act II of 1922.

11. (1) The amendments to the Income-tax Act made by sections 3, 9 and 10 shall, for the purposes of making any deduction of income-tax under sub-section (2) or sub-section (2B) of section 18 of the Income-tax Act, have effect on and .. of

and for other purposes shall have effect on and from the first day of April, 1958.

(2) Save as otherwise provided in sub-section (1), the provisions of section 2 and the amendments to the Income-tax Act made by sections 3 to 10 inclusive shall be deemed to have come into force on the first day of April, 1957.

(3) Where any assessment in relation to which the amendments made by this Act have effect has been completed before the passing of this Act, the Income-tax Officer shall revise it accordingly.

(4) For the removal of doubts, it is hereby declared that the provisions of section 23A of the Income-tax Act, as in force immediately before the 1st day of April, 1957, shall continue to apply to a company in respect of its profits and gains of a previous year relevant to any assessment year prior to the assessment year ending on the 31st day of March, 1957.

12. (1) The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act), shall be amended in the manner specified in Parts I, II, III and IV of the Second Schedule.

(2) In the First Schedule to the Tariff Act, the following *Explanation* shall be inserted at the end, namely:—

“*Explanation*.—References in this Schedule to ‘the excise duty for the time being leviable on like articles if produced or manufactured in India’ shall be construed as references to the excise duty for the time being in force which would be leviable on like articles if produced or manufactured in India or, if like articles are not so produced or manufactured, which would be leviable on the class or description of articles to which the imported articles belong.”

13. In the First Schedule to the Central Excises and Salt Act, 1944.—

(a) in Item No. 1, for the entry in the third column, the entry “Twenty naye paise per imperial gallon.” shall be substituted;

(b) in Item No. 2, for sub-items (1), (2), (3) and (4), the following shall be substituted, namely:—

“(1) Matches, in boxes containing 60 matches on an average, if manufactured in a factory whose output—

(i) exceeds five hundred thousand gross of boxes per year. Four rupees and ninety naye paise per gross of boxes.

(ii) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes. Four rupees and seventy-five naye paise per gross of boxes.

(iii) does not exceed one hundred gross of boxes per day, but exceeds twenty-five gross of boxes per day.	Four rupees and sixty naye paise per gross of boxes.
(iv) does not exceed twenty-five gross of boxes per day.	Four rupees and forty-five naye paise per gross of boxes.
(2) Matches, in boxes containing 40 matches on an average, if manufactured in a factory whose output—	
(i) exceeds five hundred thousand gross of boxes per year.	Three rupees and twenty-five naye paise per gross of boxes.
(ii) does not exceed five hundred thousand gross of boxes per year, but exceeds one hundred gross of boxes per day.	Three rupees and fifteen naye paise per gross of boxes.
(iii) does not exceed one hundred gross of boxes per day, but exceeds twenty-five gross of boxes per day.	Three rupees and five naye paise per gross of boxes.
(iv) does not exceed twenty-five gross of boxes per day.	Two rupees and ninety-five naye paise per gross of boxes.
(3) Matches in boxes containing on an average not more than twelve matches of the type known as "Bengal Lights".	One rupee per gross of boxes.
(4) All other matches.	Eighty naye paise for every 1,440 matches or fraction thereof.;
(c) in Item No. 4, for the entry in the third column, the entry "One rupee and twenty-five naye paise per imperial gallon." shall be substituted;	
(d) in Item No. 7, for the entry in the third column, the entry "Forty rupees per ton." shall be substituted;	
(e) in Item No. 8, in sub-item (1), for the entry in the third column, the entry "Eleven rupees and twenty-five naye paise per cwt." shall be substituted;	
(f) in Item No. 9,—	
(i) in sub-item I (4), for the entry in the third column, the entry "Seventy-five naye paise per lb." shall be substituted;	
(ii) for sub-items I(5) and I(6), the following sub-items shall be substituted, namely:—	
“(5) if not flue cured and not actually used for the manufacture of	Fifty naye paise per lb.
(a) cigarettes or (b) smoking mixtures for pipes and cigarettes—	
(i) stems of tobacco larger than 1/4" and stems of tobacco not	

(ii) dust of tobacco ;

(iii) granule ('rawa') of tobacco not larger than $1/16$ " square in size ;

(iv) tobacco cured in whole leaf form and packed or tied in bundles, hanks or bunches or in the form of twists or coils ;

Explanation.—The size of tobacco shall be determined for the purposes of this sub-item with reference to the size of the mesh through which it can pass ;

(6) if other than flue cured and One rupee per lb." ; not otherwise specified.

(g) in Item No. 13, for the entry in the third column, the entry "Thirty-five naye paise per lb." shall be substituted;

(h) in Item No. 14, for the entries in the third column against sub-items (1) (i), (1) (ii) and (2), the entries "Thirty-five naye paise per lb. net.", "Forty-five naye paise per lb. net.", "Ten naye paise per lb. net." shall respectively be substituted;

(i) in Item No. 15, for the entry in the third column, the entry "Twenty rupees per ton." shall be substituted;

(j) for Item No. 21, the following Item shall be substituted, namely:—

"21. PAPER, all sorts (including pasteboard, millboard, strawboard and cardboard), in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—

<p>(1) blotting, toilet, target, tissue other than cigarette tissue, teleprinter, typewriting, manifold, bank, bond, art paper, chrome paper, tubsized paper, cheque paper, stamp paper, cartridge paper and parchment.</p>	<p>Fifteen naye paise per lb.</p>
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<p>(2) cigarette tissue.</p>	<p>Thirty naye paise per lb.</p>
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<p>(3) printing and writing paper, other sorts.</p>	<p>Ten naye paise per lb.</p>
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<p>(4) packing and wrapping paper, other sorts.</p>	<p>Ten naye paise per lb.</p>
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<p>(5) millboard and strawboard other than corrugated board.</p>	<p>Five naye paise per lb.</p>
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<p>(6) duplex and triplex board. . .</p>	<p>Ten naye paise per lb.</p>
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(7) pulp board Ten naye paise per lb.

(8) manilla and corrugated board. Ten naye paise per lb.

(9) coated board (including art, chrome and board for playing cards). Fifteen naye paise per lb.

(10) paper and paper board, all sorts, not otherwise specified. Fifteen naye paise per lb. ";

(k) in Item No. 23, for the entry in the third column, the entry "One hundred and twelve rupees per ton." shall be substituted;

(l) in Item No. 24, for the entry in the third column, the entry "Forty naye paise per imperial gallon." shall be substituted;

(m) in Item No. 25, in sub-item (a), for the entry in the third column, the entry "Forty rupees per ton." shall be substituted;

Amendment
of Act 6 of
1898.

14. The First Schedule to the Indian Post Office Act, 1898, shall be amended as follows, namely:—

(i) after the entries relating to Letters, the following heading and entry shall be inserted, namely:—

"Letter-cards

For a letter-card 10 naye paise";

(ii) for the heading Post Cards and the entries thereunder, the following headings and entries shall be substituted, namely:—

"Postcards

Local delivery postcards

For a single postcard 4 naye paise

For a reply postcard 8 naye paise

Other postcards

For a single postcard 6 naye paise

For a reply postcard 12 naye paise";

(iii) in column 2 of the entries under the heading Book, Pattern and Sample Packets, for the figure and words "6 naye paise" the figure and words "8 naye paise" shall be substituted;

(iv) in column 2 of the entries under the heading Parcels, for the figures and words "50 naye paise" against the entry "For a weight not exceeding forty tolas", the figures and words "60

18 of 1956.

5 of 1957.

15. (1) Sections 31 and 37 of, and the Third and Fourth Schedules ~~Repeals.~~ to, the Finance Act, 1956, and section 5 of the Finance Act, 1957, are hereby repealed.

77 of 1956.

5 of 1957.

(2) Section 8 of the Finance (No. 3) Act, 1956, and section 2 of the Finance Act, 1957, are hereby repealed and shall be deemed never to have been enacted.

Declaration under the Provisional Collection of Taxes Act, 1931

(16 OF 1931)

It is hereby declared that it is expedient in the public interest that the provisions of clauses 12 and 13 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

THE FIRST SCHEDULE

(See section 2)

PART I

Income-tax and surcharge on income-tax.

Paragraph A

(i) In the case of every individual who is married and every Hindu undivided family:—

Rates of Income-tax

(1) On the first Rs. 3,000 of total income.	...	Nil
(2) On the next Rs. 2,000 of total income	...	3%
(3) On the next Rs. 2,500 of total income.	...	6%
(4) On the next Rs. 2,500 of total income.	...	9%
(5) On the next Rs. 2,500 of total income.	...	11%
(6) On the next Rs. 2,500 of total income.	...	14%
(7) On the next Rs. 5,000 of total income.	...	18%
(8) On the balance of total income.	...	25%.

(ii) In the case of every individual who is not married and every unregistered firm or other association of persons, not being a case to which paragraph B or paragraph C or paragraph D of this Part applies:—

(1) On the first Rs. 1,000 of total income.	...	Nil
(2) On the next Rs. 4,000 of total income.	...	3%
(3) On the next Rs. 2,500 of total income.	...	6%
(4) On the next Rs. 2,500 of total income.	...	9%
(5) On the next Rs. 2,500 of total income.	...	11%
(6) On the next Rs. 2,500 of total income.	...	14%
(7) On the next Rs. 5,000 of total income.	...	18%
(8) On the balance of total income.	...	25%.

Provided that—

(i) no income-tax shall be payable on a total income which does not exceed the limit specified below;

(ii) the income-tax payable shall in no case exceed half the amount by which the total income exceeds the said limit.

The limit aforesaid shall be—

(i) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(ii) Rs. 3,000 in every other case.

Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge which shall be the aggregate of the amounts calculated as under:—

(1) five per cent. of the amount of income-tax;

(2) fifteen per cent. of the difference between the amount of income-tax on the total income and the amount of income-tax on the whole of the earned income, if any, included in the total income if such earned income had been the total income; and

(3) where the earned income included in the total income exceeds Rs. 1,00,000, five per cent. of the difference between the amount of income-tax which would have been payable on the whole of the earned income included in the total income if such earned income had been the total income and the amount of income-tax payable on a total income of Rs. 1,00,000:

Provided that—

(i) no surcharge shall be payable where the total income does not exceed the limit specified below; and

(ii) the surcharge payable shall in no case exceed half the amount by which the total income exceeds the said limit.

The limit aforesaid shall be—

(i) Rs. 15,000 in the case of every Hindu undivided family which satisfies as at the end of the previous year either of the following conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

Explanation.—For the purposes of this paragraph, in the case of every Hindu undivided family governed by the *Mitakshara* law, a son shall be deemed to be entitled to claim partition of the coparcenary property against his father or grandfather notwithstanding any custom to the contrary.

Paragraph B

In the case of every company and local authority,

Rates of income-tax

On the whole of the total income	30%
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Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge of 5 per cent. thereon.

Paragraph C

(1) In every case in which under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate,

Rates of income-tax

On the whole of the total income.	25%
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Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge of 20 per cent. thereon.

(2) In every case in which under the provisions of the Income-tax Act, income-tax is to be deducted at the maximum rate, deduction shall be made from the whole income which is to be subjected to such deduction at the following rates, namely:—

	<i>Rate of income-tax on the whole income</i>	<i>Rate of surcharge on the whole in- come</i>
In the case of every company	30%	1.5%
In any other case	25%	5%

Paragraph D

In the case of every registered firm,

Rates of income-tax

(1) On the first Rs. 40,000 of total income.	...	Nil
(2) On the next Rs. 35,000 of total income	...	5%
(3) On the next Rs. 75,000 of total income	...	6%
(4) On the balance of total income	...	9%

PART II

*Super-tax and surcharge on super-tax**Paragraph A*

In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraphs of this Part applies,

Rates of super-tax

(1) On the first Rs. 20,000 of total income	..	Nil
(2) On the next Rs. 5,000 of total income.	..	5%
(3) On the next Rs. 5,000 of total income.	..	15%
(4) On the next Rs. 10,000 of total income.	..	20%
(5) On the next Rs. 10,000 of total income.	..	30%
(6) On the next Rs. 10,000 of total income.	..	35%
(7) On the next Rs. 10,000 of total income.	..	40%
(8) On the balance of total income.	..	45%

Surcharge on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge which shall be the aggregate of the amounts calculated as under:—

- (1) five per cent. of the amount of super-tax;
- (2) fifteen per cent. of the difference between the amount of super-tax on the total income, and the amount of super-tax on the whole of the earned income, if any, included in the total income, if such earned income had been the total income; and
- (3) where the earned income included in the total income exceeds Rs. 1,00,000, five per cent. of the difference between the amount of super-tax which would have been payable on the whole of the earned income included in the total income, if such earned income had been the total income and the amount of super-tax payable on a total income of Rs. 1,00,000.

Paragraph B

In the case of every local authority,

Rate of super-tax

On the whole of the total income	...	16%
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Surcharge on super-tax

The amount of super-tax computed at the rate hereinbefore specified shall be increased by a surcharge of 12½% thereon.

Paragraph C

In the case of every association of persons being a co-operative society as defined in clause (5B) of section 2 of the Income-tax Act,

Rates of super-tax

(1) On the first Rs. 25,000 of total income	... Nil
(2) On the balance of total income	... 16%

Surcharge on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge of 12½% thereon.

Paragraph D

In the case of every company,

Rates of super-tax

On the whole of the total income, 50%

Provided that,—

(i) a rebate at the rate of 40 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 35 per cent. on the balance of the total income shall be allowed in the case of any company which—

(a) in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1958, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) of section 18 of that Act; and

(b) is such a company as is referred to in sub-section (9) of section 23A of the Income-tax Act with a total income not exceeding Rs. 25,000;

(ii) a rebate at the rate of 40 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 30% on the balance of the total income shall be allowed in the case of any company which satisfies condition (a) but not condition (b) of the preceding clause;

(iii) a rebate at the rate of 40% on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 20% on the balance of the total income shall be allowed in the case of any company not entitled to a rebate under either of the preceding clauses:

Provided further that, --

(i) the amount of the rebate under clause (i) or clause (ii) shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

(a) on that part of the sum arrived at in accordance with clause (i) of the second proviso to paragraph D of

The whole amount of such part.

Part II of the First Schedule to the Finance Act, 1956, as is referable to that amount of bonus shares, bonus or dividends, as the case may be, which has not been deemed to have been taken into account, in accordance with clause (ii) of the said proviso, for the purpose of reducing the rebate mentioned therein to nil.

(b) on the amount representing the face value of any bonus shares or

at the rate of 30%.

the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital except to the extent to which such bonus shares or bonus have been issued out of premiums received in cash on the issue of its shares; and

(c) in addition, in the case of a company referred to in clause (ii) of the preceding proviso which has distributed to its shareholders during the previous year dividends in excess of six per cent. of its paid-up capital, not being

dividends payable at a fixed rate—

- on that part of the said dividends at the rate of which exceeds 6 per cent. but does 10%.
- not exceed 10 per cent. of the paid-up capital;
- on that part of the said dividends at the rate of which exceeds 10 per cent. but 20%.
- does not exceed 18 per cent. of the paid-up capital;
- on that part of the said dividends at the rate of which exceeds 18 per cent. of 30%.
- the paid-up capital.

(ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with clause (i) or clause (ii), as the case may be, of the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (a), (b) and (c) of clause (i) of this proviso as is sufficient, in that order, to reduce the rebate to *nil* shall be deemed to have been taken into account for the purpose:

Provided further that the super-tax payable by a company, the total income of which exceeds rupees twenty-five thousand shall not exceed the aggregate of—

- (a) the super-tax which would have been payable by the company if its total income had been rupees twenty-five thousand, and
- (b) half the amount by which its total income exceeds rupees twenty-five thousand.

Explanation.—For the purposes of this paragraph—

- (i) the expression “paid-up capital” means the paid-up capital (other than capital entitled to a dividend at a fixed rate) of the company as on the first day of the previous year relevant to the assessment for the year ending on the 31st day of March, 1958, increased by any premiums received in cash by the company on the issue of its shares, standing to the credit of the share premium account as on the first day of the previous year aforesaid;
- (ii) the expression “dividend” shall be deemed to include any distribution included in the expression “dividend” as defined in clause (6A) of section 2 of the Income-tax Act;

(iii) where any portion of the profits and gains of the company is not included in its total income by reason of such portion being exempt from tax under any provision of the Income-tax Act, the "paid-up capital" of the company, the amount distributed as dividends (not being dividends payable at a fixed rate), the amount representing the face value of any bonus shares and the amount of any bonus issued to the share-holders shall each be deemed to be such proportion thereof as the total income of the company for the previous year bears to its total profits and gains for that year other than capital receipts, reduced by such allowances as may be admissible under the Income-tax Act which have not been taken into account by the company in its profit and loss account for that year.

THE SECOND SCHEDULE

(See section 12)

PART I

In the First Schedule to the Tariff Act,—

(i) in Items Nos. 3, 3(4), 4, 5(1), 11, 11(2), 11(4), 11(5), 12, 15, 15(1), 15(2), 15(4), 15(8), 16(2), 21(2), 23, 25(7), 27(2), 28(5), 28(6) (a), 28(6) (b), 28(7), 28(8), 28(16), 28(17), 28(19), 30(8), 30(10), 32(4), 34(1), 34(2), 36, 39(1), 40, 40(3), 40(4), 40(5), 46(1), 47(1), 47(3), 47(4), 47(5), 47(7), 50, 50(1), 50(2), 50(4), 50(6), 50(7), 52(1), 58, 58(2), 59(6), 63(18) (b), 63(28), 64(4) (b), 65(a), 65(b), 66(a), 66(b), 66(1), 67, 67(1), 68, 69(2), 70, 70(1), 70(3), 70(6), 70(9), 71(1), 71(11), 72(6), 72(12), 73(2), 73(6), 74(1), 75, 75(4), 76(3), 82 and 82(3), for the existing entries against each of them in the fourth column, the entry “35 per cent. *ad valorem*” shall be substituted;

(ii) in Item No. 3(1), for the existing entry in the fourth column, the entry “One rupee per Indian maund of 82-2/7 lbs. plus 10 per cent. *ad valorem*” shall be substituted;

(iii) in Items Nos. 3(2), 43, 63, 63(1), 63(4), 63(5), 63(7), 63(11), 63(13), 63(22), 63(23), 63(26), 63(35), 73(3), 74(2), 74(3) and 76(1), for the existing entries against each of them in the fourth column, the entry “20 per cent. *ad valorem*” shall be substituted;

(iv) in Items Nos. 3(3), 5(2), 11(3), 12(2), 13(2), 13(4), 30(5) and 50(8), for the existing entries against each of them in the fourth and sixth columns, the entries “40 per cent. *ad valorem*” and “30 per cent. *ad valorem*” respectively shall be substituted;

(v) Item No. 4(3) shall be omitted;

(vi) in Items Nos. 5, 14, 28(31)(a), 28(34)(a), 30(9)(a) and 64(a), for the existing entries against each of them in the fourth column, the entry “30 per cent. *ad valorem*” shall be substituted;

(vii) in Items Nos. 7 and 8, for the existing entries against each of them in the fourth and sixth columns, the entries “45 per cent. *ad valorem*” and “35 per cent. *ad valorem*” respectively shall be substituted;

(viii) in Items Nos. 8(3), 11(6) (b), 20(4), 21(1), 22, 25(3), 33, 33(1), 45(b), 45(c), 53, 55, 58(1), 59(1), 63(16), 64(3) (b) and 71(7), for the existing entries against each of them in the fourth column, the entry "50 per cent. *ad valorem*" shall be substituted;

(ix) in Item No. 9, for the existing entries in the fourth and sixth columns, the entries "40 per cent. *ad valorem* plus six naye paise per lb." and "40 per cent. *ad valorem*" respectively shall be substituted;

(x) in Item No. 9(1), for the existing entries in the fourth and sixth columns, the entries "50 per cent. *ad valorem*" and "40 per cent. *ad valorem*" respectively shall be substituted;

(xi) in Item No. 9(2), for the existing entries in the fourth and sixth columns, the entries "Sixty naye paise per lb." and "Forty eight naye paise per lb." respectively shall be substituted;

(xii) in Items Nos. 9(3) and 9(4), for the existing entries against each of them in the fourth and sixth columns, the entries "82½ per cent. *ad valorem*" and "75 per cent. *ad valorem*" respectively shall be substituted;

(xiii) in Item No. 9(5), for the existing entry in the fourth column, the entry "Rs. 1.03 per lb." shall be substituted;

(xiv) in Items Nos. 11(6) (a), 17(1), 28(11), 28(12), 28(31) (b), 28(34) (b), 30(9) (b), 64(b), 64(3) (a), 70(5) and 72(33), for the existing entries against each of them in the fourth column, the entry "40 per cent. *ad valorem*" shall be substituted;

(xv) in Items Nos. 12(5), 13(1), 22(7), 40(1) and 71(6), for the existing entries against each of them in the fourth column, the entry "5 per cent. *ad valorem*" shall be substituted;

(xvi) in Item No. 13(6), for the existing entry in the fourth column, the entry "Rs. 40 per seer of 80 tolas or 25 per cent. *ad valorem*, whichever is higher" shall be substituted;

(xvii) in Items Nos. 15(6) and 15(7), for the figures "35" and "25" against each of them in the fourth and sixth columns, the figures "45" and "35" respectively shall be substituted;

(xviii) in Items Nos. 17 and 17(3), for the existing entries against each of them in the fourth column, the entry "The rate at which excise duty is for the time being leviable on sugar, other than *khandsari* or *palmyra* sugar, produced in India plus Rs. 10 per cwt." shall be substituted;

(xix) in Items Nos. 17(2), 19, 31(5), 36(2), 45(a), 45(5), 45(6), 59(2), 59(3), 59(5), 60(1)(a), 60(1)(b), 60(3), 75(6)(b), 75(7)(b), 75(7A)(b), 75(8)(b), 82(2) and 83, for the existing entries against each of them in the fourth column, the entry "75 per cent. *ad valorem*" shall be substituted;

(xx) in Item No. 20(2), for the existing entries in the fourth and sixth columns, the entries "75 per cent. *ad valorem*" and "65 per cent. *ad valorem*" respectively shall be substituted;

(xxi) in Items Nos. 20(5)(a) and 20(8)(a), for the existing entries against each of them in the fourth column, the entry "39 per cent. *ad valorem*" shall be substituted;

(xxii) in Items Nos. 20(5)(b), 20(8)(b) and 20(9)(b), for the existing entries against each of them in the fourth column, the entry "45 per cent. *ad valorem*" shall be substituted;

(xxiii) in Item No. 20(9)(a), for the existing entry in the fourth column, the entry "37 per cent. *ad valorem*" shall be substituted;

(xxiv) in Item No. 22(1), for the existing entries in the fourth column against sub-items (a), (b), (c) and (d), the entries "Rs. 4.50 per Imperial gallon", "75 naye paise per bottle", "40 naye paise per bottle" and "20 naye paise per bottle" respectively shall be substituted;

(xxv) in Item No. 22(2), for the existing entries in the fourth column against sub-items (b), (c) and (d), the entries "Rs. 1.50 per bottle", "75 naye paise per bottle" and "40 naye paise per bottle" respectively shall be substituted;

(xxvi) in Item No. 22(4)--

(1) for the existing entries in the fourth column against each of the sub-items (a) and (b) (ii), the entry "Rs. 120 per Imperial gallon of the strength of London proof or 100 per cent. *ad valorem*, whichever is higher" shall be substituted;

(2) for the existing entry in the fourth column against sub-item (b) (i), the entry "Rs. 150 per Imperial gallon or 100 per cent. *ad valorem*, whichever is higher" shall be substituted; and

(3) proviso (a) shall be omitted;

(xxvii) in Item No. 22(5)--

(1) for the existing entries in the fourth and sixth

columns against sub-item (a) (i), the entries "Rs. 73 per Imperial gallon or 45 per cent. *ad valorem*, whichever is higher" and "Rs. 68 per Imperial gallon or 35 per cent. *ad valorem*, whichever is higher" respectively shall be substituted;

(2) for the existing entries in the fourth and sixth columns against each of the sub-items (a) (ii) and (d), the entries "Rs. 55.25 per Imperial gallon of the strength of London proof or 45 per cent. *ad valorem*, whichever is higher" and "Rs. 51.50 per Imperial gallon of the strength of London proof or 35 per cent. *ad valorem*, whichever is higher" respectively shall be substituted;

(3) for the existing entries in the fourth, fifth and sixth columns against sub-item (b) (i), the entries "Rs. 48 per Imperial gallon or 45 per cent. *ad valorem*, whichever is higher", "Rs. 44 per Imperial gallon or 35 per cent. *ad valorem*, whichever is higher" and "Rs. 44 per Imperial gallon or 35 per cent. *ad valorem*, whichever is higher" respectively shall be substituted;

(4) for the existing entries in the fourth, fifth and sixth columns against sub-item (b)(ii), the entries "Rs. 35 per Imperial gallon of the strength of London proof or 45 per cent. *ad valorem*, whichever is higher", "Rs. 32 per Imperial gallon of the strength of London proof or 35 per cent. *ad valorem*, whichever is higher" and "Rs. 32 per Imperial gallon of the strength of London proof or 35 per cent. *ad valorem*, whichever is higher" respectively shall be substituted; and

(5) proviso (a) shall be omitted;

(xxviii) in Item No. 22(6), for the existing entry in the fourth column, the entry "15 per cent. *ad valorem*" shall be substituted;

(xxix) in Item No. 24, for the existing entry in the fourth column, the entry "Rs. 17 per lb." shall be substituted;

(xxx) in Item No. 24(1), for the existing entry in the fourth column, the entry "40 per cent. *ad valorem* plus Rs. 16.50 per lb." shall be substituted;

(xxxi) in Item No. 24(2), for the existing entry in the fourth column, the entry "40 per cent. *ad valorem*, plus Rs. 41 per thousand or Rs. 16.50 per lb. whichever is higher" shall be substituted;

(xxxii) in Item No. 24(3), for the existing entries in the fourth and sixth columns, the entry "Rs. 10 per lb." shall be substituted;

(xxxiii) in Item No. 25—

(a) in the third column, the word "revenue" shall be inserted, and

(b) for the existing entry in the fourth column, the entry "10 per cent. *ad valorem*" shall be substituted;

(xxxiv) in Item No. 25(4), for the existing entries in the fourth and fifth columns, the entries "50 per cent. *ad valorem*" and "40 per cent. *ad valorem*" respectively shall be substituted;

(xxxv) in Item No. 25(5), for the existing entry in the fourth column, the entry "Rs. 30 per ton" shall be substituted;

(xxxvi) in Item No. 27, for the existing entry in the fourth column, the entry "Eighty naye paise per ton" shall be substituted;

(xxxvii) in Items Nos. 27(4) (a) and 27(4) (b), for the existing entries against each of them in the fourth column, the entry "20 naye paise per Imperial gallon" shall be substituted;

(xxxviii) in Item No. 27(5), in the fourth column, for the words and figures "Three annas per Imperial gallon or 15 per cent. *ad valorem*", the words and figures "Twenty naye paise per Imperial gallon or 16 per cent. *ad valorem*" shall be substituted;

(xxxix) in Item No. 27(7) (a), for the existing entry in the fourth column, the entry "Rs. 20 per ton or 16 per cent. *ad valorem*, whichever is higher" shall be substituted;

(xl) in Items Nos. 27(7)(b)(1) and 27(7)(b)(2), for the figures "15" against each of them in the fourth column, the figures "16" shall be substituted;

(xli) in Item No. 27(8), for the existing entry in the fourth column, the entry "Twenty naye paise per Imperial gallon or 16 per cent. *ad valorem*, whichever is higher" shall be substituted;

(xlvi) in Items Nos. 28, 28(18) (a), 28(18) (b), 28(18) (c) and 28(18) (d), for the existing entries against each of them in the fourth, fifth and sixth columns, the entries "40 per cent. *ad valorem*", "30 per cent. *ad valorem*" and "30 per cent. *ad*

(xlvi) Item No. 28(2) shall be omitted;

(xlv) in Items Nos. 28(3) and 39—

(a) in the third column against each of them, the word “revenue” shall be inserted, and

(b) for the existing entries against each of them in the fourth column, the entry “5 per cent. *ad valorem*” shall be substituted;

(xlvi) in Item No. 28 (4) (a), for the existing entry in the fourth column, the entry “Rs. 4.25 per cwt.” shall be substituted;

(xlvi) in Item No. 28 (4) (b), for the existing entry in the fourth column, the entry “Rs. 5.75 per cwt.” shall be substituted,

(xlvii) in Items Nos. 28(7A), 61(7), 75(6)(a), 75(7)(a), 75(7A)(a) and 75(8)(a), for the existing entries against each of them in the fourth column, the entry “65 per cent. *ad valorem*” shall be substituted;

(xlviii) in Item No. 28(8), for the words “magnesium and zinc compounds not otherwise specified” appearing in the second column, the words “magnesium and zinc compounds not otherwise specified, green copperas (ferrous sulphate)” shall be substituted;

(xlxi) in Item No. 28(9), for the existing entry in the fourth column, the entry “Rs. 8 per lb.” shall be substituted;

(l) in Item No. 28(10), for the existing entry in the fourth column, the entry “25 per cent. *ad valorem* or Rs. 8 per pound of saccharine content, whichever is higher” shall be substituted;

(li) in Item No. 28(15) (a), for the existing entry in the fourth column, the entry “Rs. 3.50 per cwt.” shall be substituted;

(lii) in Item No. 28(15) (b), for the existing entry in the fourth column, the entry “Rs. 5 per cwt.” shall be substituted;

(liii) in Item No. 28(20), for the figures and words “31½” and “8 annas” in the fourth column against each of the sub-items, the figures and words “35” and “50 naye paise” respectively shall be substituted;

(liv) in Item No. 28(26), for the existing entries in the fourth, fifth and sixth columns, the entries “26 per cent. *ad valorem*”, “20 per cent. *ad valorem*” and “20 per cent. *ad valorem*” respectively shall be substituted;

(lv) in Item No. 28(32), for the existing entries in the fourth column against sub-items (a) and (b), the entries “50 per cent. *ad valorem*” and “60 per cent. *ad valorem*” respectively shall be substituted;

(lvi) in Item No. 29, for the existing entry in the fourth column, the entry "Rs. 1.75 per 100 linear feet" shall be substituted;

(lvii) in Item No. 29(1), for the existing entry in the fourth column, the entry "50 naye paise per linear foot" shall be substituted;

(lviii) in Item No. 30, for the figures "36" and "24" in the fourth and fifth columns, the figures "40" and "30" respectively shall be substituted;

(lix) in Item No. 30(2)—

(1) for the figures and words "30 per cent. *ad valorem* or Rs. 4-12 per cwt., whichever is higher, plus one-fifth of the total duty" in the fourth column against sub-item (a), the figures and words "40 per cent. *ad valorem*" shall be substituted;

(2) for the figures and words "30 per cent. *ad valorem* or Rs. 5-12 per cwt., whichever is higher, plus one-fifth of the total duty" in the fourth column against sub-item (b), the figures and words "40 per cent. *ad valorem*" shall be substituted;

(3) for the figures and words "30 per cent. *ad valorem* or Rs. 6 per cwt., whichever is higher, plus one-fifth of the total duty" in the fourth column against sub-item (c), the figures and words "40 per cent. *ad valorem*" shall be substituted;

(4) for the word and figures "Rs. 8-8" in the fourth column against sub-item (cc) (i), the word and figures "Rs. 8-50" shall be substituted;

(5) for the word and figures "Rs. 11-4" in the fourth column against sub-item (cc) (ii), the word and figures "Rs. 11-25" shall be substituted; and

(6) for the figures "24" in the fifth column against each of the sub-items (a), (b) and (c), the figures "30" shall be substituted;

(lx) in Item No. 30(3), for the existing entries in the fourth column against each of the sub-items (a), (b), (c) and (d), the entry "35 per cent. *ad valorem* plus the excise duty for the time being leviable on like articles if produced or manufactured in India, and where such duty is leviable at different rates, the highest duty" shall be substituted;

(lxii) in Item No. 30(4), for the figures "25" in the fourth column, the figures "35" shall be substituted;

(lxiii) in Items Nos. 30(7) and 45(4), for the existing entries against each of them in the fourth column, the entry "15 naye paise for every length of $7\frac{1}{2}$ inches or part thereof or 75 per cent. *ad valorem*, whichever is higher" shall be substituted;

(lxiv) in Item No. 30(14) (a), for the figures "34" in the fourth column, the figures "35" shall be substituted;

(lxv) in Item Nos. 32, 32(1), 32(2), 37, 37(1), 37(2), 38, 40(2), 42, 50(5), 61(4), 61(6), 61(9), 61(10), 70(10), 70(11), 71(2), 71(3), 82(1) and 85(2), for the existing entries against each of them in the fourth column, the entry "100 per cent. *ad valorem*" shall be substituted;

(lxvi) in Items Nos. 34, 34(3), 61(5), 61(8), 80, 80(1), 80(2) (a), 80(2) (b), 80(2) (c), 80(2) (d), 80(2) (e), 80(2) (f), 80(2) (g), 80(4), 81, 84(a) and 85(1), for the existing entries against each of them in the fourth column, the entry "80 per cent. *ad valorem*" shall be substituted;

(lxvii) in Item No. 44, for the figures "37 $\frac{1}{2}$ " in the fourth column, the figures "40" shall be substituted;

(lxviii) in Items Nos. 44(4) and 44(7), for the figures "66- $\frac{2}{3}$ " against each of them in the fourth column, the figures "75" shall be substituted;

(lxix) in Item No. 46, for the existing entry in the fourth column, the entry "35 per cent. *ad valorem* plus Rs. 4 per lb." shall be substituted;

(lxx) in Item No. 46(3), for the existing entry in the fourth column, the entry "12 naye paise per lb." shall be substituted;

(lxxi) in Item No. 47(6) (a), for the figures "5" and "6 $\frac{1}{4}$ " in the fourth column against sub-item (i) and (ii), the figures "6 $\frac{1}{4}$ " and "7 $\frac{1}{2}$ " respectively shall be substituted;

(lxxii) in Item No. 47(6) (b) (i), for the existing entry in the fourth column, the entry "6 $\frac{1}{4}$ per cent. *ad valorem* or 10 naye paise per lb., whichever is higher" shall be substituted;

(lxxiii) in Item No. 47(6) (b) (ii), for the existing entry in the fourth column, the entry "7 $\frac{1}{2}$ per cent. *ad valorem* or 15 naye paise per lb., whichever is higher" shall be substituted.

(lxxiv) in Items Nos. 47(8), 71(5), 72(34), 72(40) (a) and 72(40) (b), for the existing entries against each of them in the fourth column, the entry "10 per cent. *ad valorem*" shall be substituted;

(lxxv) in Item No. 48—

(1) for the existing entries in the fourth column against each of the sub-items (a) and (b), the entry "120 per cent. *ad valorem* plus Rs. 8.50 per lb." shall be substituted; and

(2) for the existing entry in the fourth column against sub-item (c), the entry "120 per cent. *ad valorem* plus Rs. 6.25 per lb." shall be substituted;

(lxxvi) in Items Nos. 48(1) (a) and 48(5) (b) (i) for the figure and words "7 annas per square yard" against each of them in the fourth column, the figures and words "45 naye paise per square yard" shall be substituted;

(lxxvii) in Items Nos. 48(1) (b) and 48(5) (b) (ii), for the figures and words "14 annas per square yard" against each of them in the fourth column, the figures and words "90 naye paise per square yard" shall be substituted;

(lxxviii) in Item No. 48(5) (a) (i), for the figures and words "5½ annas per square yard" in the fourth column, the figures and words "35 naye paise per square yard" shall be substituted;

(lxxix) in Item No. 48(5) (a) (ii), for the figures and words "11 annas per square yard" in the fourth column, the figures and words "70 naye paise per square yard" shall be substituted;

(lxxx) in Items Nos. 49(a) and 49(b), for the words "The *ad valorem* rates of duty" against each of them in the fourth column, the figures and words "1½ times the *ad valorem* rates of duty" shall be substituted;

(lxxxi) in Item No. 49(5), for the existing entry in the fourth column, the entry "50 naye paise per lb." shall be substituted;

(lxxxii) in Item No. 54(2), for the existing entry in the fourth column, the entry "35 per cent. *ad valorem* or 25 naye paise per pair, whichever is higher" shall be substituted;

(lxxxiii) in Item No. 59(4), for the existing entry in the fourth column, the entry "75 per cent. *ad valorem* or 80 naye paise per square foot, whichever is higher" shall be substituted;

(lxxxiv) in Items Nos. 60, 60(6) and 60(7), for the existing entry in the fourth column, the entry "70 per cent. *ad valorem*" shall be substituted;

(lxxxv) in Item No. 60(8)(a), for the existing entry in the fourth column, the entry "75 per cent. *ad valorem* or Rs. 4.50 per flask, whichever is higher" shall be substituted;

(lxxxvi) in Item No. 60(8)(b), for the existing entry in the fourth column, the entry "75 per cent. *ad valorem* or Rs. 3.50 per refill or inner, whichever is higher" shall be substituted;

(lxxxvii) in Items Nos. 61(2) and 62(1), for the existing entries against each of them in the fourth column, the entry "50 naye paise per ounce" shall be substituted;

(lxxxix) in Items Nos. 61(3) and 62(2), for the existing entries against each of them in the fourth column, the entry "Rs. 30 per tola of 180 grains fine" shall be substituted;

(xc) in Item No. 63(3)—

(1) for the existing entry in the fourth column against sub-item (i), the entry "Rs. 31 per ton or 10 per cent. *ad valorem* whichever is higher", shall be substituted; and

(2) for the existing entry in the fourth column against sub-item (ii), the entry "Rs. 60 per ton or 20 per cent. *ad valorem*, whichever is higher", shall be substituted;

(xci) in Item No. 63(6), for the existing entry in the fourth column against sub-item (ii), the entry "Rs. 75 per ton" shall be substituted;

(xcii) in Item No. 63(8), for the existing entry in the fourth column, the entry "Rs. 5 per ton or 20 per cent. *ad valorem*, whichever is higher" shall be substituted;

(xciii) in Item No. 63(10), for the existing entries in the fourth column against sub-items (i) and (ii), the entries "Rs. 60 per ton" and "Rs. 81 per ton" respectively shall be substituted.

(xciv) in Items Nos. 63(14), 63(24), 63(34)(a), 63(34)(b) and 63(34) (c), for the existing entries against each of them in the fourth and fifth columns, the entries "25 per cent. *ad valorem*" and "15 per cent. *ad valorem*" respectively shall be substituted.

(xcv) in Item No. 63(17), for the existing entries in the fourth column against sub-items (i) and (ii), the entries "Rs. 32 per ton or 10 per cent. *ad valorem*, whichever is higher" and "Rs. 55 per ton" respectively shall be substituted;

(xcvi) in Item No. 63(20)—

(1) for the existing entry in the fourth column against sub-item (a)(1)(i), the entry “Rs. 29 per ton or 10 per cent *ad valorem*, whichever is higher” shall be substituted;

(2) for the existing entry in the fourth column, against sub-item (a)(1)(ii), the entry “Rs. 50 per ton” shall be substituted;

(3) for the existing entry in the fourth column against sub-item (a)(2)(i), the entry “Rs. 30 per ton or 10 per cent. *ad valorem*, whichever is higher” shall be substituted;

(4) for the existing entry in the fourth column against sub-item (a)(2)(ii), the entry “Rs. 60 per ton” shall be substituted;

(5) for the existing entries in the fourth column against each of the sub-items (b) (1) (i) and (b) (2) (i), the entry “Rs. 32 per ton or 10 per cent. *ad valorem*, whichever is higher” shall be substituted;

(6) for the existing entry in the fourth column against sub-item (b)(1)(ii), the entry “Rs. 55 per ton” shall be substituted; and

(7) for the existing entry in the fourth column against sub-item (b)(2)(ii), the entry “Rs. 65 per ton” shall be substituted;

(xcvii) in Item No. 63(21)—

(1) for the existing entries in the fourth column against each of the sub-items A(a)(i) and B(a)(i), the entry “Rs. 10 per ton or 15 per cent. *ad valorem*, whichever is higher” shall be substituted;

(2) for the existing entries in the fourth column against each of the sub-items A(a)(ii) and B(a)(ii), the entry “Rs. 10 per ton or 25 per cent. *ad valorem*, whichever is higher” shall be substituted;

(3) for the existing entries in the fourth column against each of the sub-items A(b)(i) and D(i), the entry “Rs. 31 per ton or 10 per cent. *ad valorem*, whichever is higher” shall be substituted;

(4) for the existing entries in the fourth column against each of the sub-items A(b)(ii) and D(ii), the entry “Rs. 60 per ton” shall be substituted;

(5) for the existing entry in the fourth column against sub-item B(b)(i), the entry “Rs. 33 per ton or 10 per cent. *ad valorem*, whichever is higher” shall be substituted;

(6) for the existing entry in the fourth column against sub-item B(b)(ii), the entry "Rs. 65 per ton" shall be substituted;

(7) for the existing entry in the fourth column against sub-item C(i), the entry "Rs. 10 per ton or 10 per cent. *ad valorem*, whichever is higher", shall be substituted;

(8) for the existing entry in the fourth column against sub-item C(ii), the entry "Rs. 10 per ton or 20 per cent *ad valorem*, whichever is higher" shall be substituted;

(9) for the existing entries in the fourth column against each of the sub-items E(i) and F(i), the entry "Rs. 30 per ton or 10 per cent. *ad valorem*, whichever is higher" shall be substituted; and

(10) for the existing entries in the fourth column against each of the sub-items E(ii) and F(ii), the entry "Rs. 80 per ton" shall be substituted;

(xcviii) in Item No. 63(25), for the existing entries in the fourth column against sub-items (i) and (ii), the entries "25 per cent. *ad valorem*" and "25 per cent. *ad valorem* plus Rs. 35 per ton" respectively shall be substituted;

(xcix) in Item No. 63(27), for the existing entries in the fourth column against sub-items (i) and (ii), the entries "Rs. 15 per ton or 15 per cent. *ad valorem*, whichever is higher" and "Rs. 42.50 per ton or 25 per cent. *ad valorem*, whichever is higher" respectively shall be substituted;

(c) in Item No. 63(30), for the existing entries in the fourth column against sub-items (a) and (b), the entries "35 per cent. *ad valorem*" and "45 per cent. *ad valorem*" respectively shall be substituted;

(ci) in Item No. 63(31), for the existing entries in the fourth column against sub-items (a) and (b), the entries "Rs. 29 per ton or 10 per cent. *ad valorem*, whichever is higher" and "Rs. 50 per ton" respectively shall be substituted;

(cii) in Item No. 63(32), for the existing entries in the fourth column against sub-items (a) and (b), the entries "Rs. 50 per ton" and "Rs. 85 per ton" respectively shall be substituted;

(ciii) in Item No. 63(33)(a), for the existing entry in the fourth column, the entry "35 per cent. *ad valorem* or 35 per

(civ) in Item No. 63(33)(b), for the existing entry in the fourth column, the entry "50 per cent. *ad valorem* or 60 naye paise per gross, whichever is higher" shall be substituted;

(cv) in Items Nos. 64(4)(a), 67(2), 68(2) and 70(2), for the existing entries against each of them in the fourth column, the entry "25 per cent. *ad valorem*" shall be substituted;

(cvii) in Item No. 71(4), for the existing entry in the fourth column, the entry "Ten naye paise per lb." shall be substituted;

(cvii) in Item No. 71(10)(b), for the figure and words "3 annas per dozen" in the fourth column, the words and figures "Rs. 2.25 per gross" shall be substituted;

(cviii) in Item No. 71(13), for the figures and words "15 annas per foot" in the fourth column against each of the sub-items (a), (b) and (c), the words "one rupee per foot" shall be substituted;

(cix) in Item No. 72(10), for the existing entries in the fourth and fifth columns, the entries "40 per cent. *ad valorem*" and "30 per cent. *ad valorem*" respectively shall be substituted;

(cx) in Items Nos. 72(35), 72(36) and 72(37), for the existing entries against each of them in the fourth column, the entry "95 per cent. *ad valorem*" shall be substituted;

(cxii) in Item No. 73(1), for the words "and wires and cables of other metals of not more than equivalent conductivity" in the second column, the words "and wires and cables of other metals and alloys of not more than equivalent conductivity" shall be substituted;

(cxiii) in Item No. 73(7)(b), for the figures "31½" in the fourth column, the figures "35" shall be substituted;

(cxiv) in Item No. 73(15), for the figures "45½" in the fourth column, the figures "50" shall be substituted;

(cxiv) in Item No. 74, for the existing entries in the fourth column against sub-items (a) and (b), the entries "Rs. 20 per ton or 15 per cent. *ad valorem*, whichever is higher" and "Rs. 60 per ton or 25 per cent. *ad valorem*, whichever is higher" respectively shall be substituted;

(cxv) in Item No. 75(2), for the existing entries in the fourth and fifth columns, the entries "47½ per cent. *ad valorem*" and "40 per cent. *ad valorem*" shall be substituted".

(cxvi) in Items Nos. 75(3) and 75(13), for the existing entries against each of them in the fourth and fifth columns, the entries "32½ per cent. *ad valorem*" and "25 per cent. *ad valorem*" respectively shall be substituted;

(cxvii) in Item No. 75(5)(a), for the existing entry in the fourth column, the entry "65 per cent. *ad valorem* or Rs. 80 per cycle, whichever is higher" shall be substituted;

(cxviii) in Item No. 75(5)(b), for the existing entry in the fourth column, the entry "Rate of duty actually charged at the time for such products of the United Kingdom origin plus 10 per cent. *ad valorem*" shall be substituted;

(cxix) in Item No. 76, for the existing entry in the fourth column, the entry "3 per cent. *ad valorem*" shall be substituted;

(cxx) in Item No. 77(3), for the existing entries in the fourth and sixth columns, the entries "30 per cent. *ad valorem*" and "20 per cent. *ad valorem*" respectively shall be substituted.

PART II

In the First Schedule to the Tariff Act, for Items Nos. 18, 21, 30(2)(d), 34(4), 46(4), 47, 63(2), 63(9), 63(19), 63(29), 72(1), 73(5) and 87, the following Items shall respectively be substituted, namely:—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7
"18	Cocoa and chocolate other than confectionery—					
	(a) Cocoa powder . . .	Protective	. 35 per cent <i>ad valorem</i>.	..	..	December 31st, 1957.
	(b) Chocolate other than confectionery.	Protective	50 per cent <i>ad valorem</i> or Re. 1 per lb., whichever is higher.	..	..	December 31st, 1957.
21	Provisions, canned, bottled or otherwise packed for retail sale, not otherwise specified.	Revenue	. 75 per cent <i>ad valorem</i>.	..	..	..
30 (2) (d)	Paints, other sorts, coloured, moist.	Preferential revenue	40 per cent <i>ad valorem</i> plus the excise duty for the time being leviable on like articles if produced or manufactured in India, and where such duty is leviable at different rates, the highest duty.	30 per cent <i>ad valorem</i> plus the excise duty for the time being leviable on like articles if produced or manufactured in India, and where such duty is leviable at different rates, the highest duty.	..	..

34 (4) Matches, undipped splints and veneers—

(a) Matches Protective One naya paisa for every 10 matches or part thereof.

(b) Undipped splints such as are ordinarily used for match-making. Protective 50 naye paisa per lb.

(c) Veneers such as are ordinarily used for making boxes, including boxes and parts of boxes made of such veneers. Protective 60 naye paisa per lb.

46 (4) Textile materials, the following—

(a) Raw hemp Revenue 25 per cent *ad valorem*.

(b) Raw flax, jute and all other unmanufactured textile materials not otherwise specified. Revenue 35 per cent *ad valorem*.

47 Silk yarn including thrown silk warps and yarn spun from silk waste or noils, but excluding sewing thread—

(a) Silk yarn including thrown silk warps. Protective 35 per cent *ad valorem* plus Rs. 4 per lb. December 31st, 1958.

(b) Yarn spun from silk waste. Protective 35 per cent *ad valorem* plus Rs. 5.25 per lb. December 31st, 1958.

(c) Yarn spun from noils Protective 35 per cent *ad valorem*. December 31st, 1958.

1	2	3	4	5	6	7
63 (2)	Iron or steel angle, channel, tee, flat (other than alloy, tool or special steel specified in Item No. 63 (30)), beam, zed, trough and piling—					
	(a) not fabricated—					
	(i) of British manufacture	Revenue . . .	Rs. 22 per ton or 10 per cent <i>ad valorem</i> , whichever is higher.	..	..	..
	(ii) not of British manufacture.	Revenue . . .	Rs. 65 per ton.	..	..	..
	(b) fabricated . . .	Revenue . . .	Rs. 60 per ton.	..	..	..
63 (9)	Iron or steel structures, fabricated partially or wholly, not otherwise specified, if made mainly or wholly of iron or steel bars, sections, plates or sheets, for the construction of buildings, bridges, tanks, well curbs, trestles, towers and similar structures or for parts thereof, but not including builders' hardware or any of the articles specified in Items Nos. 72, 72(3), 74(1), 75(3), 75(4) or 76(1).	Revenue . . .	Rs. 60 per ton.	..	..	..

(19) Iron or steel plates excluding cast iron plates—

(a) not fabricated—

(i) of British manufacture	Revenue	Rs. 15 per ton or 10 per cent <i>ad valorem</i> , whichever is higher.	..	..	..	..
(ii) not of British manufacture.	Revenue	Rs. 40 per ton	..	..	..	..
(b) fabricated	Revenue	Rs. 60 per ton	..	..	..	..

(29) Enamelled ironware, the following, namely :—

(a) Sign-boards	Revenue	50 per cent <i>ad valorem</i>.	..	..	..	..
(b) Domestic hollow-ware, the following, namely, basins, bowls, dishes, plates and thalas, including rice-cups, rice-bowls and rice-plates.	Revenue	50 per cent <i>ad valorem</i>.	..	..	..	..

(4) Passenger lifts and escalators, and component parts and accessories thereof—

(a) passenger lifts and component parts and accessories thereof	Revenue	25 per cent <i>ad valorem</i>.	..	..	..	..
(b) escalators and component parts and accessories thereof	Revenue	35 per cent <i>ad valorem</i>.	..	..	..	..

1	2	3	4	5	6	7
(5)	Electrical earthenware and porcelain, the following, namely:—					
(a)	Insulators, Shackle, Sinclair, Cordeaux or Pin-type, not otherwise specified.	Revenue	60 per cent <i>ad valorem.</i>	..	..	..
(b)	Two-way cleats	Revenue	60 per cent <i>ad valorem.</i>	..	..	..
(c)	Spacing insulators	Revenue	60 per cent <i>ad valorem.</i>	..	..	..
(d)	Ceiling roses	Revenue	60 per cent <i>ad valorem.</i>	..	..	..
(e)	Joint-box cut-outs	Revenue	60 per cent <i>ad valorem.</i>	..	..	..
7	All other articles not otherwise specified.	Revenue	40 per cent <i>ad valorem.</i>	..	..	..

PART III

In the First Schedule to the Tariff Act, after Item No. 82(4), the following Item shall be inserted:—

2(5)	Adhesive tape, all sorts, including cellulose adhesive tape and paper-backed adhesive tape.	Revenue	75 per cent <i>ad valorem.</i>
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PART IV

For the Second Schedule to the Tariff Act, the following shall be substituted, namely :—

"THE SECOND SCHEDULE—EXPORT TARIFF

Item No.	Name of article	Rate of duty
1	Raw Jute (including Bimlipatam jute and mesta fibre)—	
	(i) Cuttings	Rs. 4.50 per bale of 400 lbs.
	(2) All other descriptions	Rs. 15 per bale of 400 lbs.
2	Jute Manufactures (including manufactures of Bimlipatam jute or of mesta fibre), when not in actual use as coverings, receptacles or bindings, for other goods—	
	(i) Sacking (cloth, bags, twist, yarn, rope and twine)	Rs. 350 per ton of 2240 lbs.
	(ii) Hessians	Rs. 1,500 per ton of 2240 lbs.
	(iii) All other descriptions of Jute Manufactures not otherwise specified	Rs. 80 per ton of 2240 lbs.
3	Raw Cotton	Rs. 400 per bale of 400 lbs.
3 (1)	Cotton waste (all sorts)	50 per cent <i>ad valorem</i> .
4	Rice, husked or unhusked, including rice flour but excluding rice bran and rice dust.	20 per cent <i>ad valorem</i> .
5	Tea—	
	When the price of tea :—	
	(i) does not exceed Rs. 2.50 per lb. 25 naye paise per lb.	
	(ii) exceeds Rs. 2.50 per lb. but does not exceed 3.25 lb.	38 naye paise per lb.

Item No.	Name of article	Rate of duty
	(iii) exceeds Rs. 3.25 per lb. but 50 naye paise per lb. does not exceed Rs. 4.00 per lb.	
	(iv) exceeds Rs. 4.00 per lb. but does 63 naye paise per lb. not exceed Rs. 4.75 per lb.	
	(v) exceeds Rs. 4.75 per lb. . 75 naye paise per lb.	

Explanation :—‘Price of tea’ means the price which the Central Government may, having regard to world prices of tea, fix for this purpose from time to time by notification in the Official Gazette.

Cloth— 25 per cent *ad valorem*.

“Cloth” means cloth of any description manufactured either wholly from cotton or partly from cotton and partly from any other substance and containing not less than ten per cent of cotton by weight, but does not include—

- (i) Cloth of handloom manufacture ;
- (ii) Cloth in which the average count of yarn, determined in the manner herein described, is 17s or finer.

Explanation :—(a) “Count” means count of grey yarn;

(b) For the purpose of determining the average count of yarn, the following rules shall apply, namely :—

- (i) yarn used in the borders or selvedges shall be ignored ;
- (ii) for multiple-fold yarn, the count of the basic single yarn shall be taken and the number of ends per inch in the reed or the number of picks per inch, as the case may be, shall be multiplied by the number of

Item No.	Name of article	Rate of duty
	(iii) the average count shall be obtained by applying the following formula, namely :— “(Count of warp \times number of ends per inch in the reed)+(count of weft \times number of picks per inch). (Number of ends per inch in the reed)+(Number of picks per inch) the result being rounded off, wherever necessary, by treating any fraction which is one-half or more as one, and disregarding any fraction which is less than one-half”;	
	(iii) Furnishing fabrics, hosiery, apparel, blankets, bed-covers, towels, dusters and napkins.	
7	Manganese ore	25 per cent <i>ad valorem.</i>
8	Cigarettes, Cigars and Cheroots	15 per cent <i>ad valorem.</i>
9	Mustard Oil	50 naye paise per lb.
9 (1)	Groundnut Oil	Rs. 350 per ton of 2240 lbs.
10 (a)	Iron and steel, other than sheets, the following :— Ingots ; blooms ; billets ; tinbars ; sheet bars and slabs ; steel castings ; heavy structurals (including heavy sections of joists, channels and angles) ; light structurals (including light sections of joists, channels, angles, tees and light rails of 30 lbs. and under) ; tyres, wheels and axles ; shell steel ingots, blooms, billets and bars ; heavy rails (over 30 lbs.) ; fish plates ; dog-spikes ; chair-spikes ; screw-spikes ; tinplate ; terneplate ; plates (ship-building) ; plates (ordinary mild steel and tensile) ; plates (bullet proof) ; bars (including flats, squares, rounds, hexagons and rods) ; bolts (including fish bolts) ,	45 per cent <i>ad valorem.</i>

Item No.	Name of article	Rate of duty ^r
	nuts and rivets ; black or galvanised wire, whether plain or barbed ; wire nails ; wire (miscellaneous) ; hoops and strips ; spring steel in any unfabricated or semi-fabricated form ; tool steel in any unfabricated or semi-fabricated form ; steel pressure pipes ; tubes and fittings, coated or uncoated, excluding electrical conduit pipes ; cast iron pressure pipes and specials ; pressure pipes made of any substance reinforced with iron and steel; and wire ropes.	
10 (b)	Iron and steel black sheets and galvanised sheets (plain and corrugated).	30 per cent <i>ad valorem.</i>
11	Black pepper	30 per cent <i>ad valorem.</i>
12	Raw wool	30 per cent <i>ad valorem.</i>
13	Groundnuts	Rs. 300 per ton of 2240 lbs.
14	Oilseeds, not otherwise specified . .	Rs. 150 per ton of 2240 lbs.
15	Vegetable Oils, not otherwise specified .	Rs. 300 per ton of 2240 lbs.
16	Mercury	Rs. 300 per flask of 75 lbs.
17	Coffee	Rs. 62.50 per cwt.
18	Groundnut oilcake	Rs. 230 per ton of 2240 lbs.
19	De-oiled groundnut meal (solvent extracted variety containing less than 1 per cent oil).	Rs. 175 per ton of 2240 lbs.
20	Decorticated cotton seed oilcake . .	Rs. 100 per ton of 2240 lbs.
21	All oilcakes other than the following, namely, groundnut, copra, mowha, tobacco seed, neem seed, and decorticated cotton seed oil cakes.	Rs. 50 per ton of 2240 lbs.

STATEMENT OF OBJECTS AND REASONS

Pending the consideration of the Budget proposals for the financial year 1957-58, the Finance Act, 1957, provided for the continuance of the taxes on income and the duties of customs and excise at the 1956-57 rates with certain modifications. The object of this Bill is to give effect to the financial proposals of the Central Government for the financial year 1957-58. The notes on clauses explain the various provisions contained therein.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 15th May, 1957.

NOTES ON CLAUSES

Clause 2 prescribes the rates of income-tax and super-tax for the financial year 1957-58 in supersession of the rates prescribed by the Finance Act, 1957:

(1) The rates which have so far been expressed in terms of annas and pies are, as a consequence of the introduction of decimal coinage expressed in terms of percentages.

(2) For individuals—

(i) the taxable minimum has been lowered to Rs. 3,000,

(ii) a decrease has been effected in the rates applicable to the lower slabs of income,

(iii) a more even rate of progression has been achieved by the introduction of an intermediate slab between Rs. 10,000 and 15,000,

(iv) the maximum rate of income-tax has been maintained at 25 per cent., but it will operate above the level of Rs. 20,000,

(v) the super-tax free slab has been kept at Rs. 20,000, but a comparatively more even rate of progression is maintained with slight lowering of the maximum rate—which is reached at a level of Rs. 70,000.

(vi) a basic surcharge of five per cent, an additional surcharge of five per cent on earned income which exceeds rupees one lakh and a further surcharge of fifteen per cent on unearned income have been introduced.

(3) For Hindu undivided families—

the taxable minimum has been lowered to Rs. 6,000 in the case of families with more than two adult members.

(3) For companies—

(i) the basic rate of income-tax has been fixed at 30 per cent as against the existing rate of 25 per cent,

(ii) effective rate of super-tax on Indian companies has been raised to 20 per cent. i.e., by about 3 per cent,

(iii) on bonus issues the additional super tax has been raised from 12½ per cent to 30 per cent,

(iv) on excess distributions of dividends over the three levels of 6 per cent, 10 per cent and 18 per cent of the paid-up

capital, the additional super-tax has been lowered from 12½ per cent, 25 per cent, and 37½ per cent to 10 per cent, 20 per cent and 30 per cent respectively,

(v) the effective rate of super-tax on dividends received by principal companies from subsidiaries has been reduced from 17½ per cent to 10 per cent,

(vi) effective rate of super-tax on Indian branches of foreign companies has been reduced from 36 per cent to 30 per cent.

Clause 3 inserts a new clause (xviib) to sub-section (3) of section 4 of the Income-tax Act and provides for the exemption of interest on securities issued or other moneys borrowed outside India by the Central or a State Government or a local authority.

Clause 4 amends sub-sections (2B) and (2C) of section 10 of the Income-tax Act, mainly with a view to clarifying the intention of Government and removing some procedural difficulties which are likely to arise in the administration of the compulsory deposit scheme for companies.

Clause 5 raises from one-fifth to one-fourth the limit upto which abatement is available for income-tax purposes on provident fund contributions and payment of life insurance premia. The maximum amount on which the rebate is available, however, continues to be Rs. 8,000 as at present.

Clause 6 prescribes the rate of tax for non-residents at nineteen per cent. instead of the existing equivalent of three annas in the rupee.

Clause 7 amends section 23A of the Income-tax Act. Sub-sections (1) and (2) of section 23A have been recast by sub-clause (i) with a view to fixing for various categories of companies the percentages of available profits which they should distribute in order to avoid the extra rates of super-tax prescribed in section 23A. The percentage is 45 per cent in the case of industrial companies. In the case of non-industrial companies other than investment companies, the percentage is 60 per cent in general and 90 per cent in special circumstances. Where a company's activities are partly industrial and partly non-industrial, the percentage applicable is 45 per cent on industrial profits, and 60 per cent or 90 per cent as the case may be on non-industrial profits. For investment companies the percentage is 100 per cent.

Sub-clause (ii) deletes sub-sections (3), (4), (5), (6) and (7) which at present provide for representations by an industrial company to the Commissioner of Income-tax and the Board of Referees seeking

exemption from the application of this section and the carry forward of excess distributions of preceding three years because a reduced percentage of 45 is now fixed for industrial companies.

Other sub-clauses carry out some consequential changes.

Clause 8 amends section 24 of the Income-tax Act in order to secure that a loss shall not be carried forward for more than eight years.

Clauses 9 and 10 replacing sections 58E and 58F provide for the exclusion of employer's contributions to a recognised provident fund, upto a limit of ten per cent of salary, from the total income of the employee. Interest, subject to certain limits, on accumulated balances is already excluded.

Clause 11 is a formal provision relating to the time from which the amendments take effect.

Clause 12.—Sub-clause (1), read with Parts I, II and III of the Second Schedule, proposes certain changes in import duties. These are intended mainly to rationalise the tariff rates, for example, by merging the existing 'additional duties' which have been a recurring feature of the Finance Act for several years or by rounding off fractional rates. Certain increases in import duties—mostly on what may be called luxury items—have also been proposed.

Part IV of the Second Schedule seeks to substitute the schedule of export duties by a fresh schedule for the purpose of removing a mistake in the column-wise arrangement of the entries in the Schedule. No changes in the duties have been proposed except for conversion of the rates of duty in terms of decimal coinage.

Sub-clause (2) seeks to clarify the meaning of the expression "plus the excise duty for the time being leviable on like articles if produced or manufactured in India", which occurs in several places.

Clause 13.—Sub-clause (a) proposes an increase of the excise duty on kerosene.

Sub-clause (b) proposes an increase of the excise duty on matches.

Sub-clause (c) proposes an increase of the excise duty on motor spirit from Rs. 0-15-9 (inclusive of surcharge) per imperial gallon to Rs. 1-25 per imperial gallon.

Sub-clause (d) proposes an increase of the excise duty on steel ingots from Rs. 4-0-0 per ton to Rs. 40-00 per ton.

Sub-clause (e) proposes an increase of the excise duty on sugar from Rs. 5-10-0 per cwt. to Rs. 11-25 per cwt.

Sub-clause (f) seeks to amend sub-items I(5) and I(6) of Item No. 9 relating to unmanufactured tobacco, other than flue cured. It also proposes certain changes in the rates of excise duty on other than flue cured tobacco.

Sub-clause (g) proposes an increase of the excise duty on coffee from Rs. 0-3-0 per lb. to thirty-five naye paise per lb.

Sub-clause (h) proposes alterations in the excise duty on all categories of tea.

Sub-clause (i) proposes an increase of the excise duty on cement from Rs. 5-0-0 per ton to Rs. 20-00 per ton.

Sub-clause (j) seeks to rearrange the existing tariff and also proposes certain changes in the excise duty on all categories of paper.

Sub-clause (k) proposes an increase of the excise duty on vegetable non-essential oils from Rs. 70-0-0 per ton to Rs. 112-00 per ton.

Sub-clause (l) proposes an increase of the excise duty on refined diesel oils and vaporising oil from Rs. 0-4-0 per imperial gallon to forty naye paise per imperial gallon.

Sub-clause (m) proposes an increase of the excise duty on diesel oil, not otherwise specified, from Rs. 30 per ton to Rs. 40-00 per ton.

Clause 14.—Item (i) is a formal amendment intended to bring the Schedule into line with the classification adopted with respect to Letter Cards in the rules under sections 7 and 8 of the Act.

Item (ii) seeks to increase the rate of postage on postcards under the various categories from 3, 6, 5 and 10 naye paise to 4, 8, 6 and 12 naye paise respectively.

Item (iii) seeks to increase the rate of postage on the first five tolas in the first entry under Book, Pattern and Sample Packs from 6 naye paise to 8 naye paise.

Item (iv) seeks to increase the parcel postage rate on the first forty tolas from 50 naye paise to 60 naye paise.

Clause 15.—Sub-clause (1) repeals all existing additional duties of customs and excise specified in sections 31 and 37 of, read with the Third and the Fourth Schedules to, the Finance Act, 1956, as continued in force by the Finance Act, 1957. These additional duties have now been merged in the basic duties.

Sub-clause (2) repeals the provisions of the Finance Act, 1957, relating to income-tax and super-tax retrospectively as the rates will now be regulated by this Bill.

BILL* No. 14 OF 1957

A Bill to provide for the levy of wealth-tax.

CHAPTER I

PRELIMINARY

Short title,
extent and
commencement.

1. (1) This Act may be called the Wealth-tax Act, 1957.
(2) It extends to the whole of India.
(3) It shall be deemed to have come into force on the 1st day of April, 1957.

Definitions.

2. In this Act, unless the context otherwise requires,—
 - (a) 'adviser' means a person appointed by the Central Government to exercise the functions of an adviser under sub-section (10) of section 24;
 - (b) 'Appellate Assistant Commissioner' means a person empowered to exercise the functions of an Appellate Assistant Commissioner of Wealth-tax under section 9;
 - (c) 'Appellate Tribunal' means the Appellate Tribunal appointed under section 5A of the Income-tax Act;
 - (d) 'assessee' means a person by whom wealth-tax or any other sum of money is payable under this Act, and includes every person in respect of whom any proceeding under this Act has been taken for the assessment of the value of his assets;
 - (e) 'assessment year' means the year for which tax is chargeable under section 3;

*The President has in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

(f) 'assets' includes property of every description, movable or immovable, but does not include—

(i) agricultural land and growing crops, grass or standing trees on such land;

(ii) any building owned or occupied by a cultivator or receiver of rent or revenue out of agricultural land:

Provided that the building is on or in the immediate vicinity of the land and is a building which the cultivator or the receiver of rent or revenue by reason of his connection with the land requires as a dwelling-house or a store-house or an out-house;

(iii) live-stock, tools and implements needed for the raising of agricultural produce;

(iv) the right to any annuity or any interest in property where such annuity or interest is available to an assessee for a period not exceeding five years;

(g) 'Board' means the Central Board of Revenue constituted under the Central Board of Revenue Act, 1924;

(h) 'Commissioner' means a person empowered to exercise the functions of a Commissioner of Wealth-tax under section 10;

(i) 'company' means a company as defined in section 3 of the Companies Act, 1956, and includes a foreign company within the meaning of section 591 of that Act;

(j) 'executor' means an executor or administrator of the estate of a deceased person;

(k) 'Income-tax Act' means the Indian Income-tax Act, 1922;

(l) 'Income-tax Officer' means a person appointed to be an Income-tax Officer under the Income-tax Act;

(m) 'Inspecting Assistant Commissioner of Wealth-tax' means a person empowered to be an Inspecting Assistant Commissioner of Wealth-tax under section 11;

(n) 'net wealth' means the amount by which the aggregate value computed in accordance with the provisions of this Act of all the assets, wherever located, belonging to the assessee on the valuation date, including assets required to be included in his net wealth as on that date under this Act, is in excess of the aggregate value of all the debts owed by the assessee on the valuation date other than debts which under section 6 are not to be taken into account;

4 of 1924.

1 of 1956.

11 of 1922.

(o) 'prescribed' means prescribed by rules made under this Act;

(p) 'principal officer', used with reference to a company, means the secretary, manager, managing agent or managing director of the company, and includes any person connected with the management of the affairs of the company upon whom the Wealth-tax Officer has served a notice of his intention of treating him as the principal officer thereof;

(q) 'valuation date', in relation to any year for which an assessment is to be made under this Act, means the last day of the previous year as defined in clause (11) of section 2 of the Income-tax Act if an assessment were to be made under that Act for that year:

Provided that where in the case of an assessee there are different previous years under the Income-tax Act for different sources of income, the valuation date for the purposes of this Act shall be the last day of the previous year immediately preceding the year for which the assessment is made;

(r) 'valuer' means a valuer appointed under section 4 of ~~34~~ of 1953, the Estate Duty Act, 1953;

(s) 'Wealth-tax Officer' means the Income-tax Officer authorised to perform the functions of a Wealth-tax Officer under section 8.

CHAPTER II

CHARGE OF WEALTH-TAX AND ASSETS SUBJECT TO SUCH CHARGE

Charge of
Wealth-tax

3. Subject to the other provisions contained in this Act, there shall be charged for every financial year commencing on and from the first day of April, 1957, a tax (hereinafter referred to as wealth-tax) in respect of the net wealth on the corresponding valuation date of every individual, Hindu undivided family and company at the rate or rates specified in the Schedule.

Net wealth
to include
certain
assets.

4. (1) In computing the net wealth of an individual, there shall be included,—

(a) the value of assets which on the valuation date are held—

(i) by his wife to whom such assets have been transferred by the individual, directly or indirectly, otherwise than for adequate consideration or in connection with an agreement to live separately, or

(ii) by a minor child not being a married daughter to whom such assets have been transferred by the individual otherwise than for adequate consideration, or

(iii) by a person or association of persons to whom such assets have been transferred by the individual otherwise than for adequate consideration for the benefit of the individual or his wife or minor child, or

(iv) by a person or association of persons to whom such assets have been transferred by the individual otherwise than under an irrevocable transfer;

(b) where the assessee is a partner in a firm or a member of an association of individuals, the value of his interest in the assets of the firm or association determined in the prescribed manner.

(2) Where the value of any assets is to be included in the net wealth of an assessee in accordance with clause (a) of sub-section (1), there shall be deducted from such value any debts owing on the valuation date by the transferee mentioned in that sub-section in so far as such debts are referable to the assets.

5. Wealth-tax shall not be payable by an assessee in respect of— Exemptions in respect of certain assets.

(i) any property held by him under trust or other legal obligation for religious or charitable purposes within India;

(ii) the interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member;

(iii) any works of art, archaeological, scientific or art collections, books, manuscripts or heirlooms belonging to the assessee and not intended for sale;

(iv) the right of the assessee to receive a pension or other life annuity in respect of past service under an employer;

(v) the rights under any patent or copyright belonging to the assessee:

Provided that they are not held by him as assets of a business, profession or vocation and no income or benefit accrues to him therefrom;

(vi) domestic animals and furniture, household utensils, wearing apparel, jewellery, provisions and other articles intended for the personal or household use of the assessee, subject to a maximum of twenty-five thousand rupees in value;

(vii) the right or interest of the assessee in any policy of insurance before the moneys covered by the policies actually become due and payable to the assessee;

(viii) the tools and instruments necessary to enable the assessee to carry on his profession or vocation, subject to a maximum of two thousand and five hundred rupees in value;

(ix) ten year treasury savings deposit certificates, fifteen year annuity certificates, deposits in post office savings banks, post office cash certificates and post office national savings certificates held by the assessee;

(x) any deposit made by the assessee with the Government or in any security of the Government or of a local authority not specified in clause (ix) which the Central Government may, by notification in the Official Gazette, exempt from wealth-tax:

Provided that the value of any deposit or security so exempted shall be included in computing the net wealth of an assessee;

(xi) the amount standing to the credit of an assessee, being a salaried employee, in any provident fund maintained by his employer to which the Provident Funds Act, 1925, applies or ^{19 of 1925.} which is a recognised provident fund within the meaning of Chapter IXA of the Income-tax Act;

(xii) the property received by an assessee from Government in pursuance of any gallantry award instituted or approved by the Central Government.

Exclusion of assets and debts outside India.

6. In computing the net wealth of an individual who is not a citizen of India on the valuation date, or of a Hindu undivided family, or company not resident in India during the year ending on the valuation date, the value of the assets and debts located outside India shall not be taken into account.

Explanation I.—A Hindu undivided family shall be deemed to be resident in India during the year ending on the valuation date in all cases except where the control and management of its affairs during that year is situated wholly without India.

Explanation II.—A company shall be deemed to be resident in India during the year ending on the valuation date if during that year the control and management of its affairs is situated wholly in India.

Value of assets, how to be determined.

7. (1) The value of any asset, other than cash, for the purposes of this Act shall be estimated to be the price which in the opinion of the Wealth-tax Officer it would fetch if sold in the open market on the valuation date.

(2) Notwithstanding anything contained in sub-section (1),—

(a) where the assessee is carrying on a business for which accounts are maintained by him regularly, the Wealth-tax Officer may, instead of determining separately the value of each asset held by the assessee in such business, determine the net

value of the assets of the business as a whole having regard to the balance-sheet of such business as on the valuation date and making such adjustments therein as the circumstances of the case may require;

(b) where the assessee carrying on the business is a company not resident in India and a computation in accordance with clause (a) cannot be made by reason of the absence of any separate balance-sheet drawn up for the affairs of such business in India, the Wealth-tax Officer may take the net value of the assets of the business in India to be that proportion of the net value of the assets of the business as a whole wherever carried on determined as aforesaid as the income arising from the business in India during the year ending with the valuation date bears to the aggregate income from the business wherever arising during that year.

CHAPTER III

WEALTH-TAX AUTHORITIES

8. Every Income-tax Officer having jurisdiction or exercising ^{Wealth-tax Officers.} powers as such under the Income-tax Act in respect of any individual, Hindu undivided family or company shall perform the functions of a Wealth-tax Officer under this Act in respect of such individual, Hindu undivided family or company.

9. The Board may empower as many persons as it thinks fit to ^{Appellate Assistant Commissioners of Wealth-tax.} exercise under this Act the functions of an Appellate Assistant Commissioner of Wealth-tax, and on being so empowered the Appellate Assistant Commissioners shall perform their functions in respect of such areas or such classes of persons as the Board may direct, and where such directions have assigned to two or more Appellate Assistant Commissioners the same area or the same classes of persons they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed.

10. The Board may empower as many persons as it thinks fit to ^{Commissioners of Wealth-tax.} exercise under this Act the functions of a Commissioner of Wealth-tax, and on being so empowered the Commissioners of Wealth-tax shall perform their functions in respect of such areas or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners the same area or the same classes of persons they shall have concurrent jurisdiction subject to such orders, if any, as the Board may make for the distribution and allocation of the work to be performed.

11. The Commissioner of Wealth-tax may empower as many ^{Inspecting Assistant Commissioners of Wealth-tax.} persons as he thinks fit to exercise under this Act the functions of an Inspecting Assistant Commissioner of Wealth-tax, and on being so empowered the Inspecting Assistant Commissioners of Wealth-tax shall perform their functions in respect of such areas or such classes

of persons as the Commissioner may direct, and where such directions have assigned to two or more Inspecting Assistant Commissioners the same area or the same classes of persons they shall perform their functions in accordance with such orders as the Commissioner may make for the distribution and allocation of the work to be performed.

Wealth-tax Officers to be subordinate to the Commissioner of Wealth-tax and the Inspecting Assistant Commissioner of Wealth-tax.

Wealth-tax authorities to follow orders, etc. of the Board.

12. The Wealth-tax Officers shall be subordinate to the Commissioner of Wealth-tax and the Inspecting Assistant Commissioner of Wealth-tax within whose jurisdiction they perform their functions.

13. All officers and other persons employed in the execution of this Act shall observe and follow the orders, instructions and directions of the Board:

Provided that no orders, instructions or directions shall be given by the Board so as to interfere with the discretion of the Appellate Assistant Commissioner of Wealth-tax in the exercise of his appellate functions.

CHAPTER IV

ASSESSMENT

Return of wealth.

14. (1) Every person whose net wealth on the valuation date was of such an amount as to render him liable to wealth-tax under this Act shall, before the thirtieth day of June of the corresponding assessment year, furnish to the Wealth-tax Officer a return in the prescribed form and verified in the prescribed manner setting forth his net wealth as on that valuation date:

Provided that for the assessment year commencing on the first day of April, 1957, the return may be made at any time before the thirty-first day of December, 1957.

(2) If the Wealth-tax Officer is satisfied that the net wealth of any person is of such an amount as to render him liable to wealth-tax under this Act, then, notwithstanding anything contained in sub-section (1), he may serve a notice upon such person requiring him to furnish within such period, not being less than thirty days, as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be required in the notice, the net wealth of such person as on the valuation date mentioned in the notice.

(3) The Wealth-tax Officer may, if he is satisfied that it is necessary so to do, extend the date for the delivery of the return under this section.

15. If any person has not furnished a return within the time allowed under section 14, or having furnished a return under that section discovers any omission or a wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made.

16. (1) If the Wealth-tax Officer is satisfied without requiring the presence of the assessee or production by him of any evidence that a return made under section 14 is complete, he shall assess the net wealth of the assessee and determine the amount payable by him as wealth-tax.

(2) If the Wealth-tax Officer is not so satisfied, he shall serve a notice on the assessee either to attend in person at his office on a date to be specified in the notice or to produce or cause to be produced on that date any evidence on which the assessee may rely in support of his return.

(3) The Wealth-tax Officer, after hearing such evidence as the person may produce and such other evidence as he may require on any specified points shall, by order in writing, assess the net wealth of the assessee and determine the amount payable by him as wealth-tax.

(4) For the purpose of making an assessment under this Act the Wealth-tax Officer shall make the assessment to the best of his judgment or not, a notice requiring him to produce or cause to be produced on a date specified in the notice such accounts, records or other documents as the Wealth-tax Officer may require.

(5) If any person fails to make a return in response to any notice under sub-section (2) of section 14, or fails to comply with the terms of any notice issued under sub-section (2) or sub-section (4), the Wealth-tax Officer shall make the assessment to the best of his judgment and determine the amount payable by the person as wealth-tax on the basis of such assessment.

17. If the Wealth-tax Officer—

(a) has reason to believe that by reason of the omission or failure on the part of the assessee to make a return of his net wealth under section 14 for any assessment year or to disclose fully and truly all material facts necessary for his assessment for that year, the net wealth chargeable to tax has escaped assessment for that year, whether by reason of under-assessment or assessment at too low a rate or otherwise; or

Wealth
escaping
assessment.

(b) has, in consequence of any information in his possession, reason to believe, notwithstanding that there has been no such omission or failure as is referred to in clause (a), that the net wealth chargeable to tax has escaped assessment for any year, whether by reason of under-assessment or assessment at too low a rate or otherwise;

he may, in cases falling under clause (a) at any time, and in cases falling under clause (b) at any time within six years of the end of that assessment year, serve on the assessee a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 14, and may proceed to assess or re-assess such net wealth, and the provisions of this Act shall, so far as may be, apply as if the notice had issued under that sub-section.

Penalty for concealment

18. (1) If the Wealth-tax Officer is satisfied that any person—

(a) has without reasonable cause failed to furnish the return of his net wealth which he is required to furnish under sub-section (1) or sub-section (2) of section 14 or section 17 or has without reasonable cause failed to furnish it within the time allowed and in the manner required; or

(b) has without reasonable cause failed to comply with a notice under sub-section (2) or sub-section (4) of section 16; or

(c) has concealed the particulars of his assets or deliberately furnished inaccurate particulars of his assets or debts;

he may, by order in writing, direct that such person shall pay by way of penalty—

(i) in the case referred to in clause (a), in addition to the amount of wealth-tax payable by him, a sum not exceeding one-and-a-half times the amount of such tax, and

(ii) in the case referred to in clause (b) or clause (c), in addition to the amount of wealth-tax payable by him, a sum not exceeding one-and-a-half times the amount of the tax, if any, which would have been avoided if the net wealth returned by such person had been accepted as correct.

(2) No order shall be made under sub-section (1) unless the person concerned has been given a reasonable opportunity of being heard.

(3) No prosecution for an offence under this Act shall be instituted in respect of the same facts in relation to which a penalty has been imposed under this section.

(4) The Wealth-tax Officer shall not impose any penalty under this section without the previous approval of the Inspecting Assistant Commissioner of Wealth-tax.

CHAPTER V

LIABILITY TO ASSESSMENT IN SPECIAL CASES

19. (1) Where a person dies, his executor, administrator or other legal representative shall be liable to pay out of the estate of the deceased person, to the extent to which the estate is capable of meeting the charge, the wealth-tax assessed as payable by such person, or any tax which would have been payable by him under this Act if he had not died.

(2) Where a person dies without having furnished a return under the provisions of section 14 or after having furnished a return which the Wealth-tax Officer has reason to believe to be incorrect or incomplete, the Wealth-tax Officer may make an assessment of the net wealth of such person and determine the wealth-tax payable by the person on the basis of such assessment, and for this purpose may, by the issue of the appropriate notice which would have had to be served upon the deceased person if he had survived, require from the executor, administrator or other legal representative of the deceased person any accounts, documents or other evidence which might under the provisions of section 16 have been required from the deceased person.

(3) The provisions of section 15 shall apply to an executor, administrator or other legal representative as they apply to any person referred to in that section.

20. (1) Where, at the time of making an assessment, it is brought to the notice of the Wealth-tax Officer that a partition has taken place among the members of a Hindu undivided family, and the Wealth-tax Officer, after inquiry, is satisfied that such partition has taken place, he shall make assessments on the net wealth of the undivided family as such for the assessment year or years including the year relevant to the previous year if the partition has taken place on the last day of the previous year, and each member or group of members shall be liable jointly and severally for the tax assessed on the net wealth of the joint family as such.

(2) Where the Wealth-tax Officer is not so satisfied, he may, by order, declare that such family shall be deemed for the purposes of this Act to continue to be a Hindu undivided family liable to be assessed as such.

21. (1) In the case of assets chargeable to tax under this Act which are held by a court of wards or an administrator-general or an official trustee or any receiver or manager or any other person, by whatever name called, appointed under any order of a court to manage property on behalf of another, or any trustee appointed

Tax of
deceased
person pay-
able by
legal re-
presentative.

Assessment
after parti-
tion of a
Hindu un-
divided
family.

Assessment
when assets
are held by
courts of
wards, ad-
ministrators
general, etc.

under a trust declared by a duly executed instrument in writing, whether testamentary or otherwise (including a trustee under a valid deed of wakf), the wealth-tax shall be levied upon and recoverable from the court of wards, administrator-general, official trustee, receiver, manager or trustee, as the case may be, in the like manner and to the same extent as it would be leviable upon and recoverable from the person on whose behalf the assets are held, and the provisions of this Act shall apply accordingly.

(2) Nothing contained in sub-section (1) shall prevent either the direct assessment of the person on whose behalf the assets above referred to are held, or the recovery from such person of the tax payable in respect of such assets.

(3) Where the guardian or trustee of any person being a minor, lunatic or idiot (all of which persons are hereinafter in this sub-section included in the term 'beneficiary') holds any assets on behalf of such beneficiary, the tax under this Act shall be levied upon and recoverable from such guardian or trustee, as the case may be, in the like manner and to the same extent as it would be leviable upon and recoverable from any such beneficiary if of full age or sound mind and in direct ownership of such assets.

(4) Notwithstanding anything contained in this section, where the shares of the persons on whose behalf any such assets are held are indeterminate or unknown, the wealth-tax may be levied upon and recovered from the court of wards, administrator-general, official trustee, receiver, manager or other person aforesaid as if the persons on whose behalf the assets are held were an individual for the purposes of this Act.

**Assessment
of persons
not resident
in India.**

22. (1) Where the person liable to tax under this Act is not resident in India, the tax may be levied upon and recovered from his agent, and the agent shall be deemed to be, for all the purposes of this Act, the assessee in respect of such tax.

(2) Any person employed by or on behalf of a person referred to in sub-section (1) or through whom such person is in the receipt of any income, profits or gains, or who is in possession or has custody of any asset of such person and upon whom the Wealth-tax Officer has caused a notice to be served of his intention of treating him as the agent of such person shall, for the purposes of sub-section (1), be deemed to be the agent of such person.

Provided that no person shall be deemed to be the agent of another under this section unless he has had an opportunity of being heard by the Wealth-tax Officer as to his being treated as such.

CHAPTER VI

APPEALS, REVISIONS AND REFERENCES

23. (1) Any person,—

- (a) objecting to the amount of his net wealth determined under this Act; or
- (b) objecting to the amount of wealth-tax determined as payable by him under this Act; or
- (c) denying his liability to be assessed under this Act; or
- (d) objecting to any penalty imposed by the Wealth-tax Officer under section 18; or
- (e) objecting to any order of the Wealth-tax Officer under sub-section (2) of section 20;

may appeal to the Appellate Assistant Commissioner against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner.

(2) An appeal shall be presented within thirty days of the receipt of the notice of demand relating to the assessment or penalty objected to, or the date on which any order objected to, is communicated to him, but the Appellate Assistant Commissioner may admit an appeal after the expiration of the period aforesaid if he is satisfied that the appellant had sufficient cause for not presenting the appeal within that period.

(3) The Appellate Assistant Commissioner shall fix a day and place for the hearing of the appeal and may from time to time adjourn the hearing.

(4) The Appellate Assistant Commissioner may, before disposing of any appeal, make such further inquiry as he thinks fit or cause further inquiry to be made by the Wealth-tax Officer.

(5) Any order passed by the Appellate Assistant Commissioner on appeal may include an order enhancing the assessment or penalty:

Provided that no order enhancing the assessment or penalty shall be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(6) A copy of every order passed by the Appellate Assistant Commissioner under this section shall be forwarded to the appellant and the Commissioner.

24. (1) Any assessee objecting to an order passed by an Appellate Assistant Commissioner under section 23 may appeal to the Appellate Tribunal within sixty days of the date on which he is served with notice of such order.

Appeal to the Appellate Assistant Commissioner from orders of Wealth-tax Officers.

Appeal to the Appellate Tribunal from orders of the Appellate Assistant Commissioners.

(2) The Commissioner may, if he is not satisfied as to the correctness of any order passed by an Appellate Assistant Commissioner under section 23, direct the Wealth-tax Officer to appeal to the Appellate Tribunal against such order, and such appeal may be made at any time before the expiry of sixty days of the date on which the order is communicated to the Commissioner.

(3) An appeal to the Appellate Tribunal shall be in the prescribed form and shall be varified in the prescribed manner and shall, except in the case of an appeal referred to in sub-section (2), be accompanied by a fee of one hundred rupees.

(4) The Appellate Tribunal may, after giving both parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, and any such orders may include an order enhancing the assessment or penalty:

Provided that no order enhancing an assessment or penalty shall be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(5) Where the appellant objects to the valuation of any immovable property, the Appellate Tribunal may, and if the appellant so requires shall, refer the question of disputed value to the arbitration of a committee consisting of a valuer and an adviser appointed by the Board in this behalf, and the Tribunal shall, so far as that question is concerned, pass its orders under sub-section (4) conformably to the decision of the Committee:

Provided that if there is a difference of opinion between the two members of the committee of arbitration, the matter shall be referred by the Tribunal to another valuer appointed by the Board and the decision of that valuer on the question of valuation shall be final.

(6) The costs of any arbitration proceeding under sub-section (5) shall be borne by the Central Government or the assessee, as the case may be, at whose instance the question was referred to the Committee:

Provided that where the assessee has been wholly or partially successful in any reference made at his instance, the extent to which the costs should be borne by the assessee shall be at the discretion of the Appellate Tribunal.

(7) A copy of every order passed by the Appellate Tribunal under this section shall be forwarded to the assessee and the Commissioner.

(8) Save as provided in section 27, any order passed by the Appellate Tribunal on appeal shall be final.

(9) The provisions of sub-sections (5), (7) and (8) of section 5A of the Income-tax Act shall apply to the Appellate Tribunal in the discharge of its functions under this Act as they apply to it in the discharge of its functions under the Income-tax Act.

(10) For the purposes of this section the Central Government shall draw up for every such area as may be prescribed a list of persons familiar with property values in that area, and any of these persons may be appointed to exercise the functions of an adviser under this section in relation to the area for which he is appointed.

25. (1) The Commissioner may call for and examine the record of any proceeding under this Act and, if he considers that any order passed therein by a Wealth-tax Officer is erroneous in so far as it is prejudicial to the interests of revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as he deems necessary, pass such orders thereon as the circumstances of the case justify, including an order enhancing or modifying the assessment or cancelling it and directing a fresh assessment.

(2) No order shall be made under sub-section (1) after the expiry of two years from the date of the order sought to be revised.

(3) If in the course of any proceedings under this section a question arises as to the valuation of any immovable property, the Commissioner may, and if the assessee so requires shall, before passing any order under this section, refer the question of such valuation to the arbitration of a Committee consisting of a valuer and an adviser appointed by the Board in this behalf, and the Commissioner shall, so far as that question is concerned, pass his order under this section conformably to the decision of the Committee.

(4) The provisions of sub-sections (5), (6) and (8) of section 24 shall apply in relation to any such reference as they apply in relation to any reference made by the Appellate Tribunal under that section.

26. (1) Any assessee objecting to an order of enhancement made by the Commissioner under section 25 may appeal to the Appellate Tribunal within sixty days of the date on which the order is communicated to him.

(2) An appeal to the Appellate Tribunal under sub-section (1) shall be in the prescribed form and shall be verified in the prescribed manner and shall be accompanied by a fee of rupees one hundred.

(3) The Tribunal may, after giving the appellant an opportunity of being heard, pass such order thereon as it thinks fit, and shall communicate any such order to the assessee and to the Commissioner.

Reference
to High
Court.

27. (1) Within ninety days of the date upon which he is served with an order under section 24 or section 26, the assessee may present an application in the prescribed form accompanied by a fee of one hundred rupees to the Appellate Tribunal requiring the Appellate Tribunal to refer to the High Court any question of law arising out of such order, and the Appellate Tribunal shall, if in its opinion a question of law arises out of such order, state the case for the opinion of the High Court.

(2) An application under sub-section (1) may be admitted after the expiry of the period of ninety days aforesaid if the Tribunal is satisfied that there was sufficient cause for not presenting it within the said period.

(3) If, on an application made under sub-section (1), the Appellate Tribunal,—

(a) refuses to state a case on the ground that no question of law arises; or

(b) rejects it on the ground that it is time barred; the applicant may, within three months from the date on which he is served with a notice of refusal or rejection, as the case may be, apply to the High Court, and the High Court may, if it is not satisfied with the correctness of the decision of the Appellate Tribunal, require the Appellate Tribunal to state the case to the High Court, and on receipt of such requisition the Appellate Tribunal shall state the case:

Provided that, if in any case where the Appellate Tribunal has been required by an applicant to state a case the Appellate Tribunal refuses to do so on the ground that no question of law arises, the applicant may, within thirty days from the date on which he receives notice of refusal to state the case, withdraw his application, and if he does so, the fee paid by him under sub-section (1) shall be refunded to him.

(4) The statement to the High Court shall set forth the facts, the determination of the Appellate Tribunal and the question of law which arises out of the case.

(5) If the High Court is not satisfied that the case as stated is sufficient to enable it to determine the question of law raised thereby, it may require the Appellate Tribunal to make such modifications therein as it may direct.

(6) The High Court, upon hearing any such case, shall decide the question of law raised therein, and in doing so, may, if it thinks fit, alter the form of the question of law and shall deliver judgment thereon containing the ground on which such decision is founded and shall send a copy of the judgment under the seal of the Court

and the signature of the Registrar to the Appellate Tribunal and the Appellate Tribunal shall pass such orders as are necessary to dispose of the case conformably to such judgment.

(7) The costs of any reference to the High Court shall be in the discretion of the Court.

9 of 1908.

(8) Section 5 of the Indian Limitation Act, 1908, shall apply to an application to the High Court under this section.

28. When a case has been stated to the High Court under section 27, ^{Hearing to} ~~High Cou~~ it shall be heard by a Bench of not less than two Judges of the High Court and shall be decided in accordance with the opinion of such Judges or of the majority of such Judges, if any:

Provided that where there is no such majority, the Judges shall state the point of law upon which they differ and the case shall then be heard upon that point only by one or more of the Judges of the High Court, and such point shall be decided according to the opinion of the majority of the Judges who have heard the case, including those who first heard it.

29. (1) An appeal shall lie to the Supreme Court from any judgment of the High Court delivered on a case stated under section 27 in any case which the High Court certifies as a fit case for appeal to the Supreme Court. ^{Appeal to Supreme Courts.}

(2) Where the judgment of the High Court is varied or reversed on appeal under this section, effect shall be given to the order of the Supreme Court in the manner provided in sub-section (6) of section 27.

(3) The High Court may, on application made to it for the execution of any order of the Supreme Court in respect of any costs awarded by it, transmit the order for execution to any court subordinate to the High Court.

CHAPTER VII

PAYMENT AND RECOVERY OF WEALTH-TAX

30. When any tax or penalty is due in consequence of any order passed under this Act, the Wealth-tax Officer shall serve upon the assessee or other person liable to pay such tax or penalty a notice of demand in the prescribed form specifying the sum so payable and the time within which it shall be payable. ^{Notice of demand.}

31. (1) Any amount specified as payable in a notice of demand issued under section 30 shall be paid within the time, at the place, ^{tax and penalties.} and to the person mentioned in the notice, or if no time is so men-

the date of service of the notice, and any assessee failing so to pay shall be deemed to be in default.

(2) Where an assessee has been assessed in respect of assets located in a country outside India, the laws of which prohibit or restrict the remittance of money to India, the Wealth-tax Officer shall not treat the assessee as in default in respect of that part of the tax which is attributable to the assets in that country, and shall continue to treat the assessee as not in default in respect of that part of the tax until the prohibition or restriction of remittance is removed.

(3) Notwithstanding anything contained in this section, where an assessee has presented an appeal under section 23, the Wealth-tax Officer may in his discretion treat the assessee as not being in default as long as such appeal is undisposed of.

order of recovery.

32. The provisions of sub-sections (1), (1A), (2), (3), (4), (5), (5A), (6) and (7) of section 46 of the Income-tax Act shall apply as if the said provisions were provisions of this Act and referred to wealth-tax instead of to income-tax, and to Wealth-tax Officer and Commissioner of Wealth-tax instead of to Income-tax Officer and Commissioner of Income-tax.

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assessee in
certain cases.

33. (1) Where by reason of the provisions contained in section 4, the value of any assets transferred to any of the persons mentioned in that section have to be included in the net wealth of an individual, the person in whose name such assets stand shall, notwithstanding anything contained in any law to the contrary, be liable, on the service of a notice of demand by the Wealth-tax Officer in this behalf, to pay that portion of the tax assessed on the assessee as is attributable to the value of the asset standing in his name as aforesaid:

Provided that where any such asset is held jointly by more than one person, they shall be jointly and severally liable to pay the tax as is attributable to the value of the asset so jointly held.

(2) Where any such person as is referred to in sub-section (1) defaults in making payment of any tax demanded from him, he shall be deemed to be an assessee in default in respect of such sum, and all the provisions of this Act relating to recovery shall apply accordingly.

restrictions
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transfers of
immoveable
property in
certain cases.

34. Where any document required to be registered under the provisions of clause (a), clause (b), clause (c) or clause (e) of sub-section (1) of section 17 of the Indian Registration Act, 1908, pur- 16 of 1908. ports to transfer, assign, limit or extinguish the right, title or interest of any person to or in any property other than agricultural

appointed under that Act shall register any such document, unless the Wealth-tax Officer certifies that—

(a) such person has either paid or made satisfactory provision for the payment of all existing or anticipated liabilities under this Act, or

(b) the registration of the document will not prejudicially affect the recovery of any existing or anticipated liability under this Act.

CHAPTER VIII

MISCELLANEOUS

35. At any time within four years from the date of any order ~~Rectification of mistakes~~ passed by him, or it, the Commissioner, the Wealth-tax Officer, the Appellate Assistant Commissioner and the Appellate Tribunal may, on his, or its, own motion rectify any mistake apparent from the record and shall, within a like period, rectify any such mistake which has been brought to the notice of the Commissioner, the Wealth-tax Officer, the Appellate Assistant Commissioner or the Appellate Tribunal, as the case may be, by an assessee:

Provided that no such rectification shall be made which has the effect of enhancing the assessment unless the assessee has been given a reasonable opportunity of being heard in the matter.

36. (1) If a person fails without reasonable cause,—

~~Proceeds~~

(a) to furnish in due time any return mentioned in section 14;

(b) to produce, or cause to be produced, on or before the date mentioned in any notice under sub-section (2) or sub-section (4) of section 16 such accounts, records and documents as are referred to in the notice;

he shall, on conviction before a magistrate be punishable with fine which may extend to ten rupees for every day during which the default continues.

(2) If a person makes a statement in a verification mentioned in section 14 or section 17 or section 20 or section 24 which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable with simple imprisonment which may extend to one year, or with fine which may extend to one thousand rupees, or with both.

(3) A person shall not be proceeded against for an offence under this section except at the instance of the Commissioner.

(4) The Commissioner may either before or after the institution of proceedings compound any such offence.

Explanation.—For the purposes of this section, 'magistrate' means a presidency magistrate, a magistrate of the first class or a magistrate of the second class specially empowered by the Central Government to try offences under this Act.

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37. The Commissioner, the Wealth-tax Officer, the Appellate Assistant Commissioner and the Appellate Tribunal shall, for the purposes of this Act, have the same powers as are vested in a court under the Code of Civil Procedure, 1908, when trying a suit in respect of the 5 of 1908. following matters, namely:—

- (a) enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavit;
- (d) issuing commissions for the examination of witnesses;

and any proceeding before the Commissioner, the Wealth-tax Officer, the Appellate Assistant Commissioner or the Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code.

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38. Where for the purposes of determining the wealth-tax payable by any person, it appears necessary for the Wealth-tax Officer to obtain any statement or information from any individual, company, firm, Hindu undivided family or other person, the Wealth-tax Officer may serve a notice requiring such individual, company, firm, Hindu undivided family or other person, on or before a date to be therein specified, to furnish such statement or information on the points specified in the notice, and the individual or the principal officer concerned or the manager of the Hindu undivided family, as the case may be, shall, notwithstanding anything in any law to the contrary, be bound to furnish such statement or information to the Wealth-tax Officer.

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39. Whenever in respect of any proceeding under this Act any wealth-tax authority ceases to exercise jurisdiction and is succeeded by another who has and exercises such jurisdiction, the authority so succeeding may continue the proceeding from the stage at which the proceeding was left by his predecessor.

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40. In computing the period of limitation prescribed for an appeal under this Act or for an application under section 27, the day on which the order complained of was made and the time requisite for obtaining a copy of such order shall be excluded.

41. (1) A notice or a requisition under this Act may be served on the person therein named either by post or as if it were a summons issued by a court under the Code of Civil Procedure, 1908. Service of notice.

(2) Any such notice or requisition may, in the case of a firm or a Hindu undivided family, be addressed to any member of the firm or to the manager or any adult male member of the family, and in the case of any other association of persons be addressed to the principal officer thereof.

42. (1) Subject to the provisions contained in sub-section (2), the provisions of section 54 of the Income-tax Act shall apply to all accounts or in relation to statements, documents, evidence or affidavits given, produced or obtained in connection with or in the course of any proceeding under this Act as they apply to or in relation to similar particulars under that Act subject to the modification that the reference to 'any Income-tax authority' in clause (d) of sub-section (2) and to the 'Commissioner' in sub-section (5) of that Act shall be construed as a reference to 'any wealth-tax authority' and to the 'Commissioner of Wealth-tax' respectively. Prohibition of disclosure of information.

(2) Nothing contained in section 54 of the Income-tax Act shall apply to the disclosure of any such particulars as are referred to in sub-section (1) to any person acting in the execution of this Act or ! of 1953. the Income-tax Act or the Estate Duty Act, 1953, where it is necessary or desirable to disclose the same to him for the purpose of this Act or any of the other Acts aforesaid.

43. Save as otherwise provided in this Act, no suit shall lie in any civil court to set aside or modify any assessment made under this Act, and no prosecution, suit or other legal proceeding shall lie against any officer of the Government for anything in good faith done or intended to be done under this Act. Bar of jurisdiction.

44. Any assessee who is entitled to or required to attend before any wealth-tax authority or the Appellate Tribunal in connection with any proceeding or inquiry under this Act, except where he is required under this Act to attend in person, may attend by a person authorised by him in writing in this behalf, being a relative of, or a person regularly employed by, the assessee or a legal practitioner or a chartered accountant. Appearance before wealth-tax authorities by authorised representatives.

Explanation.—For the purposes of this section,—

(a) the expression, "a person regularly employed by the assessee" includes any officer of a Scheduled Bank with which

the assessee maintains a current account or has other regular dealings;

(b) "Chartered Accountant" means a Chartered Accountant as defined in the Chartered Accountants Act, 1949.

^{38 of 1949.}

Act not to apply in certain cases.

45. The provisions of this Act shall not apply to—

(a) a banking company as defined in section 5 of the ^{10 of 1949.} Banking Companies Act, 1949;

(b) an insurer within the meaning of the Insurance Act, ^{4 of 1938.} 1938;

(c) any company formed and registered under the Companies Act, 1956, established with the object of financing, whether by ^{1 of 1956.} way of making loans or advances to, or subscribing to the capital of, private industrial enterprises in India, in any case where the Central Government has made or agreed to make to the company a special advance for the purpose or has guaranteed or agreed to guarantee the payment of moneys borrowed by the company from any institution outside India.

Power to make rules.

46. (1) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, rules made under this section may provide for—

(a) the manner in which the market value of any asset may be determined in cases where it is not easily ascertainable;

(b) the form in which returns under this Act shall be made, and the manner in which they shall be verified;

(c) the form in which appeals and applications under this Act may be made, and the manner in which they shall be verified;

(d) the form of any notice of demand under this Act;

(e) the areas for which lists of valuers may be drawn up;

(f) any other matter which has to be or may be prescribed for the purposes of this Act.

(3) The power to make rules conferred by this section shall on the first occasion of the exercise thereof include the power to give retrospective effect to the rules or any of them from a date not earlier than the date of commencement of this Act.

(4) All rules made under this Act shall be laid before each House of Parliament as soon as may be after they are made and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

THE SCHEDULE

(See section 3)

Rates of Wealth-tax

PART I

(a) In the case of every individual: -

	Rate of tax
(i) on the first rupees two lakhs of net wealth	... Nil.
(ii) on the next rupees ten lakhs of net wealth	... $\frac{1}{2}\%$
(iii) on the next rupees ten lakhs of net wealth	... 1%
(iv) on the balance of net wealth	... $1\frac{1}{2}\%$

(b) In the case of every Hindu undivided family:—

(i) on the first rupees three lakhs of net wealth	... Nil.
(ii) on the next rupees ten lakhs of net wealth	... $\frac{1}{2}\%$
(iii) on the next rupees ten lakhs of net wealth	... 1%
(iv) on the balance of net wealth	... $1\frac{1}{2}\%$

PART II

In the case of every company:—

(i) on the first rupees five lakhs of net wealth	... Nil.
(ii) on the balance of net wealth	... $\frac{1}{2}\%$

Rule 1.—Where the net wealth of an assessee includes the value of any asset on which wealth-tax is not payable, the amount of tax payable by the assessee shall be an amount bearing to the total amount of wealth-tax which would have been payable on the net wealth had no property been exempt the same proportion as the unexempted portion of net wealth bears to the net wealth.

Rule 2.—Where the net wealth of an assessee, not being a company, in respect of any assessment year includes the value of any shares in a private company as defined in section 3 of the Companies Act, 1956, the wealth-tax payable by the assessee on his net wealth for that assessment year, computed in accordance with the rates specified above, shall be reduced by the amount, if any, by which the sum of the following, namely:—

(a) that portion of the wealth-tax payable by the assessee computed as aforesaid as bears to the whole amount of the tax, the same proportion as the value of the shares aforesaid included in his net wealth bears to his net wealth,

(b) that portion of the wealth-tax, if any, paid by the company in respect of the same assessment year, as bears to the whole amount of the said tax, the same proportion as the paid-up value of the shares included in the assessment of the assessee aforesaid bears to the aggregate paid-up value of the share capital of the company as on the relevant valuation date, exceeds the amount calculated at the rate of 1.5 per cent. on the value of the shares included in his net wealth.

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to impose an annual tax on the net wealth of individuals, Hindu undivided families and companies. The proposed tax is an important constituent of an integrated tax structure which Government have been aiming at for some time. With Income-tax, Estate Duty and a tax on Capital gains already in existence and with the addition of the Wealth-tax and a tax on large personal expenditures (separately being proposed) the direct taxes will form a composite system made up of complementary elements. Apart from the fact that a composite tax system of this type helps to satisfy the criterion of the ability to pay, it is consistent with the avowed goal of the attainment of a socialistic pattern of society.

NEW DELHI;
The 15th May, 1957.

T. T. KRISHNAMACHARI

FINANCIAL MEMORANDUM

This Bill proposes a levy of tax with effect from 1st April, 1957 on the net wealth of individuals, Hindu undivided families and companies. This is a new tax but the procedure for assessment and collection of this new tax is very much allied to that of taxes on income. It is, therefore, proposed that for the time being wealth-tax be administered by the Income-tax Department and that no separate administrative machinery should be set up. The existing pressure of work on the Income-tax Department is, however, already quite heavy. This pressure is likely to increase further on account of the proposed lowering of the minimum taxable limits. It will, therefore, be necessary to expand adequately the staff at various levels of the departmental cadres.

The increase of personnel, along with incidental expenses of administration, including payment of remuneration to valuers of immoveable properties is estimated to cost Rs. 40 lakhs ultimately. Actual recruitment of staff will, however, be made as and when it is found really necessary.

Capital expenditure will be in respect of construction of office and residential accommodation. Such expenditure when incurred will form part of the requirements of the Income-tax staff.

I. VOLUME OF WORK

Number of "Persons" who will be liable to tax :—

(a) *Individuals.*

(other than purely salary earners, having income of more than Rs. 20,000 each—who are expected to have net wealth exceeding Rs. 2 lakhs).

26,000

(b) *Hindu undivided families.*

(having income of more than Rs. 25,000 each—which are expected to have net wealth exceeding Rs. 3 lakhs).

4,000

(c) *Companies.*

(with net worth exceeding Rs. 5 lakhs).

Total number of companies as per registers (1956).

31,049

(i) Companies with paid-up capital of above Rs. 5 lakhs (3076 in 1953)

4,000

(ii) Companies with paid-up capital of Rs. 3·5 to 5 lakhs, which are likely to have adequate reserves to make them liable to wealth-tax.

3,000

7,000

Less Insurance and banking companies included above

347

Defunct companies

700

1,000

(say)

6,000

Total number of persons 36,000

II. REQUIREMENT OF PERSONNEL AND FINANCE

A. *Officers*

	No.	Cost Rs.
1. No. of Commissioners of Income-tax	3	$3 \times 2000 \times 12$ 72,000
2. No. of Inspecting Assistant Commissioners and Appellate Assistant Commissioners (8+12) . . .	20	$20 \times 1200 \times 12$ 2,88,000
3. No. of Income-tax Officers taking the average disposal per Income-tax Officer per annum @ 300 . . .	120	$120 \times 500 \times 12$ 7,20,000

B. *Staff*

4. No. of Inspectors	60	$60 \times 250 \times 12$ 1,80,000
5. No. of Supervisors	23	$23 \times 350 \times 12$ 96,600
6. No. of Head Clerks	63	$63 \times 250 \times 12$ 1,89,000
7. No. of U. D. Cs. . . .	301	$301 \times 150 \times 12$ 5,41,800
8. No. of L. D. Cs. . . .	160	$160 \times 120 \times 12$ 2,30,400
9. No. of Stenographers	23	$23 \times 150 \times 12$ 41,400
10. No. of Stenotypists	131	$131 \times 140 \times 12$ 2,20,080
		Rs. 25,79,280
	say . . .	Rs. 26 lakhs

C. *Incidental expenditure*

Incidental expenses including Class IV staff contingencies and payment of remuneration to valuers estimated at

Rs. 14 lakhs

TOTAL . . . **Rs. 40 lakhs**

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 46 of the Bill authorises the Central Board of Revenue to make rules with respect to matters like the manner in which market values of assets may be determined in cases where they are not easily determinable, the form in which returns may be made under the Act, the form in which appeals should be filed or notices of demand issued. The rule making power is thus of a normal character.

BILL* No. 15 OF 1957

A Bill to provide for the levy of a tax on expenditure.

Be it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Expenditure-tax Act, 1957.
Short title,
extent and
commencement.
- (2) It extends to the whole of India except the State of Jammu and Kashmir.
- (3) It shall come into force on the 1st day of April, 1958.

2. In this Act, unless the context otherwise requires,— Definitions.

(a) "Appellate Assistant Commissioner" means a person empowered to exercise the functions of an Appellate Assistant Commissioner of Expenditure-tax under section 8;

(b) "Appellate Tribunal" means the Appellate Tribunal appointed under section 5A of the Income-tax Act;

(c) "assessee" means an individual or a Hindu undivided family by whom expenditure-tax or any other sum of money is payable under this Act, and includes every individual or Hindu undivided family against whom any proceeding under this Act has been taken for the assessment of his expenditure;

(d) "assessment year" means the year for which tax is chargeable under section 3;

(e) "Board" means the Central Board of Revenue constituted under the Central Board of Revenue Act, 1924;

(f) "Commissioner" means a person empowered to exercise the functions of a Commissioner of Expenditure-tax under section 9;

*The President has in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

(g) "dependant" means—

(i) where the assessee is an individual, a son or daughter wholly or mainly dependant on the assessee for support and maintenance;

(ii) where the assessee is a Hindu undivided family—

(a) every coparcener other than the *karta*; and

(b) any other member of the family who under any law or order or decree of a court is entitled to maintenance from the joint family property;

(h) "expenditure" means the aggregate of all sums in money or money's worth spent or disbursed by an assessee, and includes any amount which under the provisions of this Act is required to be included in the taxable expenditure;

(i) "Expenditure-tax Officer" means the Income-tax Officer authorised to perform the functions of an Expenditure-tax Officer under section 7;

(j) "Income-tax Act" means the Indian Income-tax Act, 1922;

II of 1922.

(k) "Income-tax Officer" means a person appointed to be an Income-tax Officer under the Income-tax Act;

(l) "Inspecting Assistant Commissioner of Expenditure-tax" means a person empowered to exercise the functions of an Inspecting Assistant Commissioner of Expenditure-tax under section 10;

(m) "prescribed" means prescribed by rules made under this Act;

(n) "previous year" in relation to any assessment year, means the previous year as defined in clause (11) of section 2 of the Income-tax Act if an assessment were to be made under the said Act for that year:

Provided that where in the case of an assessee there are different previous years under the Income-tax Act for different sources of income, the previous year shall be that previous year which expired last before the commencement of that assessment year.

CHAPTER II

CHARGE OF EXPENDITURE-TAX AND EXPENDITURE SUBJECT TO SUCH CHARGE

Charge of
expendi-
ture-tax.

3. Subject to the other provisions contained in this Act, there shall be charged for every financial year commencing on and from the first day of April, 1958, a tax (hereinafter referred to as expenditure-tax) at the rate or rates specified in the Schedule in respect of

the expenditure incurred by any individual or Hindu undivided family in the previous year:

Provided that no expenditure-tax shall be payable by an assessee in respect of any assessment year if his total income under the Income-tax Act during the previous year does not exceed sixty thousand rupees.

4. In computing the expenditure liable to tax under this Act, the ~~Amounts to be included in taxable expenditure.~~ following amounts shall be included, namely, any expenditure incurred, whether directly or indirectly, by a person other than the assessee in respect of any obligation or personal requirement of the assessee or any of his dependants which, but for the expenditure having been incurred by that other person, would have been incurred by the assessee.

5. (1) No expenditure-tax shall be payable under this Act in respect of any such expenditure as is referred to in the following clauses which has been incurred by the assessee, namely:—

~~Exemptions from expenditure-tax in certain cases.~~

(a) any expenditure, whether in the nature of current expenditure or capital expenditure, incurred by the assessee wholly and exclusively for the purpose of the business, profession, vocation or occupation carried on by him, but not including any personal expenditure;

(b) any expenditure incurred in the acquisition or construction of any immovable property;

(c) any expenditure incurred by way of investment in current and fixed deposits, loans, shares and securities;

(d) any expenditure incurred by way of contribution as capital to a firm or other association of persons in consideration of a share in the profits of the firm or association;

(e) any expenditure incurred by way of repayment of any loan or other borrowing;

(f) any expenditure incurred in respect of any gift, donation or settlement on trust or otherwise for the benefit of any other person;

(g) any expenditure incurred for paying premiums in respect of any policies of insurance on the life of the assessee or of any of his dependants or in respect of any health, accident or disability policies of insurance;

(h) any expenditure incurred by way of contributions to a provident, thrift or superannuation fund;

(i) any expenditure incurred by an assessee, who is not a citizen of India, outside India from any income or capital, accrued or realised outside India.

(2) Where any expenditure is not wholly and exclusively incurred for any of the purposes specified in sub-section (1), the provisions of that sub-section shall apply in respect of so much of that expenditure as is reasonably attributable to any such purpose.

Exclusion from taxable expenditure. 6. In computing the taxable expenditure, the following deductions and allowances shall be made, namely:—

(a) any taxes including the expenditure-tax payable under this Act, duties, cesses or fees paid to the Government or a local authority, but not including—

(i) taxes or fees in respect of any conveyance or other movable asset intended for the personal use of the assessee or any of his dependants;

(ii) customs duties on articles imported for the personal use of the assessee or any of his dependants;

(iii) any fine or penalty in respect of an offence under any law relating to the levy of taxes, duties, cesses or fees;

(b) any expenditure incurred by the assessee in respect of the marriage of any of his dependants, to the extent of Rs. 5,000 in respect of each such dependant;

(c) four-fifths of any expenditure incurred by way of capital expenditure on the purchase of jewellery, ornaments, works of art, furniture and other household goods, motor cars and other conveyances or any other article for the personal use of the assessee or any of his dependants:

Provided that where a deduction as aforesaid is made, one-fifth of the said capital expenditure shall be deemed to be incurred by the assessee in each of the four years succeeding the previous year in which the expenditure was actually incurred and no deduction shall be made under this clause in the assessment for any succeeding year in respect of expenditure so deemed to have been incurred in any earlier year;

(d) a basic allowance of Rs. 24,000 and a further allowance, if claimed, of Rs. 5,000 in respect of each dependant:

Provided that the allowance under this clause in respect of any dependant shall be reduced by the amount, if any, of the separate income of such dependant, but so as not to exceed Rs. 5,000 in any case:

Provided further that where any expenditure claimed by any individual as having been incurred in respect of any of his dependants has been allowed as a deduction from his taxable

expenditure, the allowance permissible under this clause in the case of a Hindu undivided family of which the dependant is a coparcener shall be Rs. 2,000.

CHAPTER III

EXPENDITURE-TAX AUTHORITIES

7. Every Income-tax Officer having jurisdiction or exercising powers as such under the Income-tax Act in respect of any individual or Hindu undivided family shall perform the functions of an Expenditure-tax Officer under this Act in respect of such individual or Hindu undivided family.

8. The Board may empower as many persons as it thinks fit to exercise under this Act the functions of an Appellate Assistant Commissioner of Expenditure-tax, and on being so empowered the Appellate Assistant Commissioners of Expenditure-tax shall perform their functions in respect of such areas or such classes of persons as the Board may direct, and where such directions have assigned to two or more Appellate Assistant Commissioners the same area or the same classes of persons, they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed.

9. The Board may empower as many persons as it thinks fit to exercise under this Act the functions of a Commissioner of Expenditure-tax, and on being so empowered the Commissioners of Expenditure-tax shall perform their functions in respect of such areas or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners of Expenditure-tax the same area or the same classes of persons, they shall have concurrent jurisdiction subject to such orders, if any, as the Board may make for the distribution and allocation of the work to be performed.

10. The Commissioner of Expenditure-tax may empower as many persons as he thinks fit to exercise under this Act the functions of an Inspecting Assistant Commissioner of Expenditure-tax and on being so empowered the Inspecting Assistant Commissioners of Expenditure-tax shall perform their functions in respect of such areas or such classes of persons as the Commissioner of Expenditure-tax may direct, and where such directions have assigned to two or more Inspecting Assistant Commissioners of Expenditure-tax the same area or the same classes of persons they shall perform their functions in accordance with such orders as the Commissioner of Expenditure-tax may make for the distribution and allocation of the work to be performed.

Expenditure-tax Officers to be subordinate to the Commissioner of Expenditure-tax and the Inspecting Assistant Commissioner of Expenditure-tax.

Expenditure-tax authorities to follow orders, etc. of the Board.

11. The Expenditure-tax Officers shall be subordinate to the Commissioner of Expenditure-tax and the Inspecting Assistant Commissioner of Expenditure-tax within whose jurisdiction they perform their functions.

12. All officers and other persons employed in the execution of this Act shall observe and follow the orders, instructions and directions of the Board:

Provided that no orders, instructions, or directions shall be given by the Board so as to interfere with the discretion of the Appellate Assistant Commissioner of Expenditure-tax in the exercise of his appellate functions.

CHAPTER IV

ASSESSMENT

Return of Expenditure.

13. (1) Every person whose expenditure for the previous year was of such an amount as to render him liable to expenditure-tax under this Act shall before the thirtieth day of June of the corresponding assessment year furnish to the Expenditure-tax Officer a return in the prescribed form and verified in the prescribed manner setting forth his expenditure for the previous year.

(2) If the Expenditure-tax Officer is satisfied that the expenditure of any person for any year is of such an amount as to render him liable to expenditure-tax, then, notwithstanding anything contained in sub-section (1), he may serve a notice upon such a person requiring him to furnish within such period, not being less than thirty days, as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be required in the notice relating to the expenditure of such person for the previous year mentioned in the notice.

(3) The Expenditure-tax Officer may, if he is satisfied that it is necessary to do so, extend the date for the delivery of the return under this section.

Return after the due date and amendment of return.

14. If any person has not furnished a return within the time allowed under section 13, or having furnished a return under that section discovers any omission or a wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made.

15. (1) If the Expenditure-tax Officer is satisfied without requiring the presence of the assessee or production by him of any evidence that a return made under section 13 or section 14 is correct and complete, he shall assess the taxable expenditure of the assessee and determine the amount payable by him as expenditure-tax.

(2) If the Expenditure-tax Officer is not so satisfied, he shall serve a notice on the assessee, requiring him either to attend in person at his office on a date to be specified in the notice, or to produce or cause to be produced on that date any evidence on which the assessee may rely in support of his return.

(3) The Expenditure-tax Officer, after hearing such evidence as the person may produce and such other evidence as he may require on any specified points, shall, by order in writing, assess the taxable expenditure of the assessee and determine the amount payable by him as expenditure-tax.

(4) For the purpose of making an assessment under this Act, the Expenditure-tax Officer may serve on any person, whether he has made a return or not, a notice requiring him to produce or cause to be produced on a date specified in the notice such accounts, records or other documents as the Expenditure-tax Officer may require.

(5) If any person fails to make a return in response to any notice under sub-section (2) of section 13 or fails to comply with the terms of any notice issued under sub-section (2) or sub-section (4), the Expenditure-tax Officer shall make the assessment to the best of his judgment and determine the amount payable by the person as expenditure-tax on the basis of such assessment.

16. If the Expenditure-tax Officer—

Expenditure
escaping as
essment.

(a) has reason to believe that by reason of the omission or failure on the part of the assessee to make a return of his expenditure under section 13 for any assessment year, or to disclose fully and truly all material facts necessary for his assessment for that year, the expenditure chargeable to tax has escaped assessment for that year, whether by reason of under-assessment or assessment at too low a rate or otherwise; or

(b) has in consequence of any information in his possession reason to believe, notwithstanding that there has been no such omission or failure as is referred to in clause (a), that the expenditure chargeable to tax has escaped assessment for any assessment year, whether by reason of under-assessment or assessment at too low a rate or otherwise;

he may, in cases falling under clause (a) at any time, and in cases falling under clause (b) at any time within six years of the end of

that assessment year, serve on the assessee a notice containing all or any of the requirements which may be included in a notice under sub-section (2) of section 13, and may proceed to assess or reassess such expenditure, and the provisions of this Act shall, so far as may be, apply as if the notice had issued under that sub-section.

Penalty for concealment.

17. (1) If the Expenditure-tax Officer is satisfied that any person—

(a) has without reasonable cause failed to furnish the return of his expenditure which he is required to furnish under sub-section (1) or sub-section (2) of section 13 or section 16, or has without reasonable cause failed to furnish it within the time allowed and in the manner required; or

(b) has without reasonable cause failed to comply with a notice under sub-section (2) or sub-section (4) of section 15; or

(c) has concealed the particulars of any expenditure or deliberately furnished inaccurate particulars thereof, he may, by order in writing, direct that such person shall pay by way of penalty—

(i) in the case referred to in clause (a), in addition to the amount of expenditure-tax payable by him a sum not exceeding one-and-a-half times the amount of such tax, and

(ii) in the case referred to in clause (b) or clause (c), in addition to the amount of expenditure-tax payable by him a sum not exceeding one-and-a-half times the amount of the tax, if any, which would have been avoided if the expenditure returned by such person had been accepted as correct.

(2) No order shall be made under sub-section (1) unless the person concerned has been given a reasonable opportunity of being heard.

(3) No prosecution for an offence under this Act shall be instituted in respect of the same facts in relation to which a penalty has been imposed under this section.

(4) The Expenditure-tax Officer shall not impose any penalty under this section without the previous approval of the Inspecting Assistant Commissioner of Expenditure-tax.

CHAPTER V

LIABILITY TO ASSESSMENT IN SPECIAL CASES

Tax of deceased persons payable by legal representative.

18. (1) Where a person dies, his executor, administrator or other legal representative shall be liable to pay out of the estate of the deceased person to the extent to which the estate is capable of meeting the charge, the expenditure-tax assessed as payable by such

person, or any tax which would have been payable by him under this Act if he had not died.

(2) Where a person dies without having furnished a return under the provisions of section 13 or after having furnished a return which the Expenditure-tax Officer has reason to believe to be incorrect or incomplete, the Expenditure-tax Officer may make an assessment of the expenditure of such person and determine the expenditure-tax payable by the person on the basis of such assessment, and for this purpose may, by the issue of the appropriate notice which would have had to be served upon the deceased person if he had survived, require from the executor, administrator or other legal representative of the deceased person any accounts, documents or other evidence which might under the provisions of section 15 have been required from the deceased person.

(3) The provisions of section 14 shall apply to an executor, administrator or other legal representative as they apply to any person referred to in that section.

19. (1) Where, at the time of making an assessment, it is brought to the notice of the Expenditure-tax Officer that a partition has taken place among the members of a Hindu undivided family, and the Expenditure-tax Officer, after inquiry, is satisfied that such partition has taken place, he shall make assessments on the expenditure of the undivided family as such for the assessment year or years including the year relevant to the previous year in which the partition has taken place, and each member or group of members shall be liable jointly and severally for the tax assessed on the expenditure of the joint family as such.

Assessment
after parti-
tion of a
Hindu un-
divided
family.

(2) Where the Expenditure-tax Officer is not so satisfied, he may, by order, declare that such family shall be deemed for the purposes of this Act to continue to be a Hindu undivided family liable to be assessed as such.

CHAPTER VI

APPEALS, REVISIONS AND REFERENCES

20. (1) Any person,—

Appeal to
the Appellate
Assistant
Commis-
sioner from
orders of
Expenditure-
tax Officers.

- (a) objecting to the amount of his taxable expenditure determined under this Act; or
- (b) objecting to the amount of expenditure-tax determined as payable by him under this Act; or
- (c) denying his liability to be assessed under this Act; or

(d) objecting to any penalty imposed by the Expenditure-tax Officer under section 17; or

(e) objecting to any order of the Expenditure-tax Officer under sub-section (2) of section 19;

may appeal to the Appellate Assistant Commissioner against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner.

(2) An appeal shall be presented within thirty days of the receipt of the notice of demand relating to the assessment or penalty objected to, or the date on which any order objected to is communicated to him, but the Appellate Assistant Commissioner may admit an appeal after the expiration of the period aforesaid if he is satisfied that the appellant had sufficient cause for not presenting the appeal within that period.

(3) The Appellate Assistant Commissioner shall fix a day and place for the hearing of the appeal and may from time to time adjourn the hearing.

(4) The Appellate Assistant Commissioner may, before disposing of any appeal, make such further inquiry as he thinks fit or cause further inquiry to be made by the Expenditure-tax Officer.

(5) Any order passed by the Appellate Assistant Commissioner on appeal may include an order enhancing the assessment or penalty:

Provided that no order enhancing an assessment or penalty shall be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(6) A copy of every order passed by the Appellate Assistant Commissioner under this section shall be forwarded to the appellant and the Commissioner.

Appeal to
the Appel-
late Tribu-
nal from
orders of
the Appel-
late Assis-
tant Com-
missioners.

21. (1) Any assessee objecting to an order passed by an Appellate Assistant Commissioner under section 20 may appeal to the Appellate Tribunal within sixty days of the date on which he is served with notice of such order.

(2) The Commissioner may, if he is not satisfied as to the correctness of any order passed by an Appellate Assistant Commissioner under section 20, direct the Expenditure-tax Officer to appeal to the Appellate Tribunal against such order, and such appeal may be made at any time before the expiry of sixty days of the date on which the order is communicated to the Commissioner.

(3) An appeal to the Appellate Tribunal shall be in the prescribed form, and shall be verified in the prescribed manner and shall, except in the case of an appeal referred to in sub-section (2), be accompanied by a fee of one hundred rupees

(4) The Appellate Tribunal may, after giving both parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, and any such orders may include an order enhancing the assessment or penalty:

Provided that no order enhancing an assessment or penalty shall be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(5) A copy of every order passed by the Appellate Tribunal under this section shall be forwarded to the assessee and the Commissioner.

(6) Save as provided in section 24 any order passed by the Appellate Tribunal on appeal shall be final.

(7) The provisions of sub-sections (5), (7), and (8), of section 5A of the Income-tax Act shall apply to the Appellate Tribunal in the discharge of its functions under this Act as they apply to it in the discharge of its functions under the Income-tax Act.

22. (1) The Commissioner may call for and examine the record of any proceeding under this Act and, if he considers that any order passed therein by an Expenditure-tax Officer is erroneous in so far as it is prejudicial to the interests of revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as he deems necessary, pass such orders thereon as the circumstances of the case justify, including an order enhancing or modifying the assessment or cancelling it and directing a fresh assessment.

(2) No order shall be made under sub-section (1) after the expiry of two years from the date of the order sought to be revised.

23. (1) Any assessee objecting to an order of enhancement made by the Commissioner under section 22 may appeal to the Appellate Tribunal within sixty days of the date on which the order is communicated to him.

(2) An appeal to the Appellate Tribunal under sub-section (1) shall be in the prescribed form and shall be verified in the prescribed manner and shall be accompanied by a fee of rupees one hundred.

(3) The Tribunal may, after giving the appellant an opportunity of being heard, pass such order thereon as it thinks fit, and shall communicate any such order to the assessee and to the Commissioner.

24. (1) Within ninety days of the date upon which he is served with an order under section 21 or section 23, the assessee or the Commissioner may present an application in the prescribed form accompanied, where application is made by the assessee, by a fee of one

hundred rupees to the Appellate Tribunal requiring the Appellate Tribunal to refer to the High Court any question of law arising out of such order, and the Appellate Tribunal shall, if in its opinion a question of law arises out of such order, state the case for the opinion of the High Court.

(2) An application under sub-section (1) may be admitted after the expiry of the period of ninety days aforesaid if the Tribunal is satisfied that there was sufficient cause for not presenting it within the said period.

(3) If on an application made under sub-section (1) the Appellate Tribunal—

(a) refuses to state a case on the ground that no question of law arises: or

(b) rejects it on the ground that it is time barred;

the applicant may, within three months from the date on which he is served with a notice of refusal or rejection, as the case may be, apply to the High Court, and the High Court may, if it is not satisfied with the correctness of the decision of the Appellate Tribunal, require the Appellate Tribunal to state the case to the High Court, and on receipt of such requisition the Appellate Tribunal shall state the case:

Provided that if in any case where the Appellate Tribunal has been required by an assessee to state a case the Appellate Tribunal refuses to do so on the ground that no question of law arises, the assessee may, within thirty days from the date on which he receives notice of refusal to state the case, withdraw his application, and if he does so, the fee paid by him under sub-section (1) shall be refunded to him.

(4) The statement to the High Court shall set forth the facts, the determination of the Appellate Tribunal and the question of law which arises out of the case.

(5) If the High Court is not satisfied that the case as stated is sufficient to enable it to determine the question of law raised thereby, it may require the Appellate Tribunal to make such modifications therein as it may direct.

(6) The High Court, upon hearing any such case, shall decide the question of law raised therein, and in doing so may, if it thinks fit alter the form of the question of law and shall deliver judgment thereon containing the ground on which such decision is founded and shall send a copy of the judgment under the seal of the Court and the signature of the Registrar to the Appellate Tribunal and the Appellate Tribunal shall pass such orders as are necessary to dispose of the case conformably to such judgment.

(7) The costs of any reference to the High Court shall be in the discretion of the Court.

9 of 1908. (8) Section 5 of the Indian Limitation Act, 1908, shall apply to an application to the High Court under this section.

25. Where a case has been stated to the High Court under section 24, ^{Hearing by High Court.} it shall be heard by a Bench of not less than two Judges of the High Court and shall be decided in accordance with the opinion of such Judges or of the majority of such Judges:

Provided that where there is no such majority, the Judges shall state the point of law upon which they differ and the case shall then be heard upon that point only by one or more of the Judges of the High Court, and such point shall be decided according to the opinion of the majority of the Judges who have heard the case, including those who first heard it.

26. (1) An appeal shall lie to the Supreme Court from any judgment of the High Court delivered on a case stated under section 24 in any case which the High Court certifies as a fit case for appeal to the Supreme Court.

(2) Where the judgment of the High Court is varied or reversed on appeal under this section, effect shall be given to the order of the Supreme Court in the manner provided in sub-section (6) of section 24.

(3) The High Court may, on application made to it for the execution of any order of the Supreme Court in respect of any costs awarded by it, transmit the order for execution to any court subordinate to the High Court.

CHAPTER VII

PAYMENT AND RECOVERY OF EXPENDITURE-TAX

27. When any tax or penalty is due in consequence of any order passed under this Act, the Expenditure-tax Officer shall serve upon the assessee or other person liable to pay such tax or penalty a notice of demand in the prescribed form specifying the sum so payable and the time within which it shall be paid.

28. (1) Any amount specified as payable in a notice of demand issued under section 27 shall be paid within the time, at the place, and to the person mentioned in the notice, or if no time is so mentioned, then on or before the first day of the second month following the day of service of the notice and any assessee failing so to pay shall be deemed to be in default.

(2) Notwithstanding anything contained in this section where an assessee has presented an appeal under section 20 the Expenditure-tax Officer may in his discretion treat the assessee as not being in default as long as such appeal is undisposed of

Mode of recovery.

29. The provisions of sub-sections (1), (1A), (2), (3), (4), (5), (5A), (6) and (7) of section 46 of the Income-tax Act shall apply as if the said provisions were provisions of this Act and referred to expenditure-tax instead of to income-tax and to Expenditure-tax Officer and Commissioner of Expenditure-tax instead of to Income-tax Officer and Commissioner of Income-tax.

CHAPTER VIII

MISCELLANEOUS

rectification of mistakes.

30. At any time within four years from the date of any order passed by him, or it, the Commissioner, the Expenditure-tax Officer, the Appellate Assistant Commissioner or the Appellate Tribunal may, on his, or its, own motion rectify any mistake apparent from the record and shall, within a like period, rectify any such mistake which has been brought to the notice of the Commissioner, the Expenditure-tax Officer, the Appellate Assistant Commissioner or the Appellate Tribunal, as the case may be, by an assessee:

Provided that no such rectification shall be made which has the effect of enhancing an assessment unless the assessee has been given a reasonable opportunity of being heard in the matter.

Prosecutions. 31. (1) If a person fails without reasonable cause—

(a) to furnish in due time any return mentioned in section 13,

(b) to produce, or cause to be produced on or before the date mentioned in any notice under sub-section (2) or sub-section (4) of section 15 such accounts, records and documents as are referred to in the notice;

he shall, on conviction before a magistrate be punishable with fine which may extend to ten rupees for every day during which the default continues.

(2) If a person makes a statement in a verification mentioned in section 13, section 20, section 21, or section 23, which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable with simple imprisonment which may extend to one year or with fine which may extend to one thousand rupees or with both.

(3) A person shall not be proceeded against for an offence under this section except at the instance of the Commissioner.

(4) The Commissioner may either before or after the institution of proceedings compound any such offence.

Explanation.—For the purposes of this section 'magistrate' means a presidency magistrate, a magistrate of the first class, or a magistrate of the second class specially empowered by the Central Government to try offences under this Act.

32. The Commissioner, the Expenditure-tax Officer, the Appellate Assistant Commissioner and the Appellate Tribunal shall, for the purposes of this Act, have the same powers as are vested in a court under the Code of Civil Procedure, 1908, when trying a suit in respect of the following matters, namely:—

- (a) enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of documents;
- (c) receiving evidence on affidavit;
- (d) issuing commissions for the examination of witnesses;

and any proceeding before the Commissioner, the Expenditure-tax Officer, the Appellate Assistant Commissioner or the Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code.

45 of 1860. 33. Where for the purposes of determining the Expenditure-tax payable by any person, it appears necessary for the Expenditure-tax Officer to obtain any statement or information from any individual, Hindu undivided family, company or any other person, the Expenditure-tax Officer may serve a notice requiring such individual, Hindu undivided family, company or other person on or before a date to be therein specified, to furnish such statement or information on the points specified in the notice, and the individual, the manager of the Hindu undivided family, the principal officer of the company or other person, as the case may be, shall, notwithstanding anything in any law to the contrary, be bound to furnish such statement or information to the Expenditure-tax Officer.

34. Whenever in respect of any proceeding under this Act any Expenditure-tax authority ceases to exercise jurisdiction and is succeeded by another who has and exercises such jurisdiction, the authority so succeeding may continue the proceeding from the stage at which the proceeding was left by his predecessor.

35. In computing the period of limitation prescribed for an appeal under this Act or for an application under section 24, the day on which the order complained of was made and the time requisite for obtaining a copy of such order shall be excluded.

Service of notice.

36. (1) A notice or a requisition under this Act may be served on the person therein named either by post or as if it were a summons issued by a court under the Code of Civil Procedure, 1908. ^{5 of 1908.}

(2) Any such notice or requisition may, in the case of a Hindu undivided family be addressed to the manager or any adult male member of the family.

Prohibition of disclosure of information.

37. (1) Subject to the provisions contained in sub-section (2), the provisions of section 54 of the Income-tax Act shall apply to all accounts or in relation to statements, documents, evidence or affidavits given, produced or obtained in connection with or in the course of any proceeding under this Act, as they apply to or in relation to similar particulars under that Act, subject to the modification that the reference to 'any Income-tax authority' in clause (d) of sub-section (2) and to the Commissioner in sub-section (5) of section 54 of that Act shall be construed as a reference to any Expenditure-tax authority and to the Commissioner of Expenditure-tax respectively.

(2) Nothing contained in section 54 of the Income-tax Act shall apply to the disclosure of any such particulars as are referred to in sub-section (1) to any person acting in the execution of this Act or the Income-tax Act or the Estate Duty Act, 1953, or the Wealth Tax Act, 1957, where it is necessary or desirable to disclose the same to him for the purpose of this Act or any of the other Acts aforesaid. ^{34 of 1953.}

ar of jurisdiction.

38. Save as otherwise provided in this Act, no suit shall lie in any civil court to set aside or modify any assessment made under this Act, and no prosecution, suit or other legal proceeding shall lie against any officer of the Government for anything in good faith done or intended to be done under this Act.

appearance before Expenditure-tax authorities by authorised presenters.

39. Any assessee who is entitled to or required to attend before any Expenditure-tax authority or the Appellate Tribunal in connection with any proceeding or inquiry under this Act, except where he is required under this Act to attend in person, may attend by a person authorised by him in writing in this behalf, being a relative of, or a person regularly employed by, the assessee, or a legal practitioner or a chartered accountant.

Explanation.—For the purposes of this section,—

(a) the expression 'a person regularly employed by the assessee' includes any officer of a Scheduled Bank with which the assessee maintains a current account or has other regular dealings;

(b) 'Chartered Accountant' means a Chartered Accountant as defined in the Chartered Accountants Act, 1949.

40. (1) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this Act. Power to make rules.

(2) In particular, and without prejudice to the generality of the foregoing power, rules made under this section may provide for—

(a) the form in which returns under this Act shall be made, and the manner in which they shall be verified;

(b) the form in which appeals and applications under this Act may be made, and the manner in which they shall be verified;

(c) the form of any notice of demand under this Act;

(d) any other matter which has to be or may be prescribed for the purposes of this Act.

(3) All rules made under this Act shall be laid before each House of Parliament, as soon as may be, after they are made, and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

THE SCHEDULE

(See section 3)

RATES OF EXPENDITURE-TAX

In the case of every individual and Hindu undivided family,
on that portion of the taxable expenditure—

(i) which does not exceed Rs. 10,000;	...	10%
(ii) which exceeds Rs. 10,000, but does not exceed Rs. 20,000;	...	20%
(iii) which exceeds Rs. 20,000 but does not exceed Rs. 30,000;	...	40%
(iv) which exceeds Rs. 30,000 but does not exceed Rs. 40,000;	...	60%
(v) which exceeds Rs. 40,000 but does not exceed Rs. 50,000;	...	80%
(vi) which exceeds Rs. 50,000	...	100%.

STATEMENTS OF OBJECTS AND REASONS

The object of this Bill is to impose an annual tax on personal expenditure, above a prescribed level, of individuals and Hindu undivided families. Such a tax in addition to being a deterrent to excessive personal expenditure and an incentive for savings also forms a significant part of an integrated tax structure.

NEW DELHI;

The 15th May, 1957.

T. T. KRISHNAMACHARI.

FINANCIAL MEMORANDUM

This Bill proposes a levy of tax with effect from 1st April, 1958, on expenditure of individuals and Hindu undivided families. Though this is a new tax, the procedure for assessment and collection of this tax is very much allied to that of taxes on income. It is accordingly proposed that for the time being the tax be administered by the Income-tax Department and that no separate administrative machinery need be set up.

The existing pressure of work on the Income-tax Department, is however, already quite heavy. This pressure is likely to increase further on account of the proposed lowering of the minimum taxable limits. It will, therefore, be necessary to expand adequately the staff at various levels of the departmental cadres.

The increase of personnel, along with incidental expenses of administration is estimated to cost Rs. 8 lakhs per annum ultimately. Actual recruitment of staff will, however, be made as and when it is found really necessary.

I. VOLUME OF WORK

Estimated number of assessments

(a) Individuals	.	.	.	.	.	4,500
(b) Hindu undivided families	.	.	.	.	.	1,500
						<u>6,000</u>

II. REQUIREMENTS OF PERSONNEL AND FINANCE

Officers

1. No. of Inspecting Asst. Commissioners & Appellate Asst. Commissioners (1+2)	3	$3 \times 1200 \times 12 =$ Rs. 43,200
2. No. of Income-tax Officers Taking the average disposal per I. T. O. per annum at 300	20	$20 \times 500 \times 12 =$ Rs. 1,20,000

Staff

3. No. of Inspectors	10	$10 \times 250 \times 12 =$ Rs. 30,000
4. No. of Supervisors	4	$4 \times 350 \times 12 =$ Rs. 16,800
5. No. of Head Clerks	10	$10 \times 250 \times 12 =$ Rs. 30,000
6. No. of Upper Division Clerks	50	$50 \times 150 \times 12 =$ Rs. 90,000
7. No. of Lower Division Clerks	30	$30 \times 120 \times 12 =$ Rs. 43,200
8. No. of Stenographers	3	$3 \times 150 \times 12 =$ Rs. 5,400
9. No. of Stenotypists	20	$20 \times 140 \times 12 =$ Rs. 33,600

Rs. 4,12,200say Rs. 5 lakhs

Incidental expenses including staff and contingencies etc.	Class IV	<u>Rs. 3 lakhs</u>
	TOTAL	<u>Rs. 8 lakhs</u>

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 40 of the Bill authorises the Central Board of Revenue to make rules with respect to matters like the form in which the returns may be made under the Act, the form in which the appeals should be filed or notices of demand issued. The rule making power is thus of a normal character.

BILL* No. 16 of 1957

A Bill to provide for the levy of a tax on railway fares.

Be it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. This Act may be called the Railway Passenger Fares Act, 1957. **Short title.**
2. In this Act, unless the context otherwise requires,— **Definitions.**

(a) 'fare' means the total amount of all charges of whatever nature payable by a passenger or group of passengers, and includes—

(i) haulage charges for supply of carriages of particular types;

(ii) empty haulage charges on tourist cars and saloons;

(iii) charges for pilot engines; and

(iv) charges for dining cars attached to special trains;

but does not include—

(i) the tax payable under this Act;

(ii) terminal taxes, pilgrim taxes and tolls on bridges;

(iii) reservation charges; and

(iv) hire, detention and stabling charges in respect of passenger traffic booked in reserved carriages and special trains;

(b) 'passenger' means any person travelling on a railway in any description or class of train or carriage on payment of his fare, whether at full rates or at concessional rates;

(c) 'railway' and 'railway administration' have the meanings respectively assigned to them in the Indian Railways Act, 1890.

3. (1) Subject to the provisions of this Act, there shall be levied **Levy of tax on passenger fares.** and collected on fares paid by passengers carried by any railway in India, whether by itself or in conjunction with any other mode

*The President has, in pursuance of clause (I) of article 117 and Clause I of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction of the Bill.

of transport or in conjunction with railways in any adjacent country, a tax at the rate specified in that behalf in the Schedule.

(2) The tax levied under sub-section (1) shall be collected by the railway administration as an addition to the fares, and the railway administration shall have all the powers and remedies for the recovery thereof as though the same were a rate or fare which the railway administration is empowered to levy under the Indian Railways Act, 1890.

9 of 1980.

Rules for
computing
tax on pas-
senger fares.

4. In computing the tax payable under this Act, the following rules shall apply, namely:—

Rule 1.—The tax leviable shall, wherever necessary, be rounded off to the nearest *naya paisa*, fractions of half-a-*naya paisa* and over being counted as one, and less than half being disregarded.

Rule 2.—In the case of return tickets, the rate of tax shall be based on the distance for a single journey.

Rule 3.—In the case of tickets issued from or to out-agencies or city booking offices, the tax shall be leviable only in respect of the fare attributable to the actual journey by railway.

Rule 4.—The amount of the tax for any distance shall, wherever necessary, be so adjusted that the aggregate amount of the fare and tax for such distance is not less than the aggregate amount of the fare and tax for any lesser distance in any case.

Power to
exempt.

5. The Central Government may, by notification in the Official Gazette and for reasons to be specified therein, exempt, either in whole or in part and either absolutely or subject to such conditions as it may specify, any passengers or class of passengers from the tax leviable under this Act.

Power to
make rules.

6. (1) The Central Government may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, rules so made may,—

(a) regulate the collection by or on behalf of the railway administration of the tax levied under this Act, and provide for the authority to which, and the time and manner in which, the tax shall be paid;

(b) prescribe the form of the returns to be submitted by any authority collecting the tax and the particulars to be contained therein and the manner in which it is to be verified.

(3) In making any rules under this section, the Central Government may direct that a breach thereof shall be punishable with fine which may extend to one thousand rupees for each such breach.

THE SCHEDULE

(See section 3)

1	2
<i>Description of traffic</i>	<i>Rate of tax</i>
1. Passengers travelling by railway for distances up to 30 miles (inclusive)	5% of fare.
2. Passengers travelling by railway for distances from 31 miles to 500 miles (inclusive)	15% of fare.
3. Passengers travelling by railway for distances over 500 miles.	10% of fare.
4. Passengers travelling on mileage coupons	12½% of the cost of the coupons.
5. Passengers travelling on season tickets	Nil

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to impose a tax on fares payable by passengers travelling by railway. Under article 269(1) of the Constitution, the proceeds of the tax less the portion attributable to Union territories shall be assigned to the States concerned. The principles of such distribution will have to be formulated by Parliament by law.

NEW DELHI;
The 15th May, 1957.

T. T. KRISHNAMACHARI.

MEMORANDUM REGARDING DELEGATED LEGISLATION

In the case of railways administered by companies, it is necessary to regulate the collection of taxes under this law by means of rules made by the Central Government. The tax may also have to be collected by other authorities on behalf of the Railways. Clause 6, therefore, authorises the Central Government to make rules providing for the regulation of the collection of taxes, the authority to which the taxes so collected may be paid, the form in which returns should be made and the like.

The rule-making power is of a normal character.

BILL* No. 17 OF 1957

A Bill to amend the Provisional Collection of Taxes Act, 1931, for a temporary period.

Be it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

Short title.

1. This Act may be called the Provisional Collection of Taxes (Temporary Amendment) Act, 1957.

Temporary
amendment
of sections
4 and 5, Act
16 of 1931.

2. Where a Bill introduced in Parliament during the period commencing on the 15th day of May, 1957, and ending with the 31st day of December, 1957, contains a declared provision as defined in section 2 of the Provisional Collection of Taxes Act, 1931, sections 4 and 5 of that Act shall have effect in relation to such Bill as if for the words "sixtieth day" in clause (c) of sub-section (2) of section 4 and in sub-section (1) of section 5, the words "one hundred and twentieth day" had been substituted.

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (I) of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

STATEMENT OF OBJECTS AND REASONS

A Finance Bill proposing *inter alia* certain increases in customs and excise duties has been introduced in the current session of Parliament. By virtue of a declaration appended to the Bill under the Provisional Collection of Taxes Act, 1931, these increases have been provisionally brought into force immediately with the introduction of the Bill. The authority for provisional collection of the increases derived from this declaration lapses at the end of 60 days. The Finance Bill would, therefore, have to be enacted into law within this period, if provisional collection is not to come to a stop and all duties provisionally collected are not to become refundable. The duration of the current session of Parliament is expected to be about three weeks only, which will not give Parliament sufficient time to examine the important taxation proposals being made in the Finance Bill. In order, therefore, that Parliament may be enabled to consider that Bill in its next session which is expected to commence in the month of July, 1957, the present Bill proposes to extend the 60-day period provided in the Provisional Collection of Taxes Act, 1931 to 120 days as a temporary measure.

T. T. KRISHNAMACHARI.

M. N. KAUL,
Secretary.

NEW DELHI;
The 15th May, 1957.

